App. F. IX-4

Previous References

1940-1
(War)

W File No. 52 - 40
Serial Nos. 1 to 13

Later References.

GENERAL AND REVENUE SECRETARIAT.

Serial Nos. Thirteen only.

Part B for April 41.

SUBJECT.

Conferences held at Delhi (New) to Discuss Control of Prices.

M Krishnan
26.4.41.

WD 0573—GPB—22,500—12-9-39

W 52-40-1

The reply to this communication should be addressed to the Secretary to the Resident in Mysore, Bangalore, by designation and not by name.

CONFIDENTIAL.

IMMEDIATE.

No. F. 193-39(5)/W.

D 1011

CS

MAIN'S OFFICE

2977

FROM
OFFICE OF THE
FIRST MEMBER OF COUNCIL
OCT 12 1939
No. 3542 To

THE SECRETARY TO THE HON'BLE THE RESIDENT IN MYSORE.

The Chief Secretary to the Government of
His Highness the Maharaja of Mysore, Bangalore.

Dated Bangalore, the 11th October *19*39

CONFERENCE TO BE HELD AT NEW DELHI
TO DISCUSS CONTROL OF PRICES.

SIR,

I am directed to enclose a copy of a telegram from the Political Department, No.2215.P, dated the 10th October 1939.

2. I request you kindly to let me know at once whether the Government of Mysore will send a representative to attend the Conference.

Sated.
The Dir the may perhaps be requested to attend the Confce
(1st number)
MS 11/10

I have the honour to be
Sir,
Your most obedient servant,

Not necessary I think
12/10/39
(Dewan)

SECRETARY TO THE RESIDENT

MS 12/10 MR

Issued No. 1408 3B.
13/10/39
To the Secy. to the Hon'ble the Resident

MS 12-10-39

MS 13/10

States that the Govt of Mysore do not propose to attend [illegible]

KK

TELEGRAM Q

From POLINDIA NEW DELHI.

To RESIDENT MYSORE.

No. 2215.P.

Dated & Recd. the 10th October 1939.

- - - - -

Government of India, Commerce Department, are arranging a conference on 18th instant to discuss control of prices and propose to invite Provincial Governments and certain important States to participate. Conference will begin in New Delhi Secretariat at 11 O'clock on morning of Wednesday 18th and may expected to last two days. Please telegraph whether Mysore Government would like to send a representative.

------:O:------

W 52-40-2.

Immediate.

13th October 1939.

1408/ CS

H. Trevelyan, Esq., I.C.S.,

Subject:- CONFERENCE TO BE HELD AT NEW DELHI TO DISCUSS CONTROL OF PRICES.

With reference to your letter No. F.193-39(5) W. dated 11th October 1939, I am directed to state that the Government of Mysore do not propose to send a representative to attend the Conference to be held at New Delhi on the 18th instant.

I have the honour to be,

Sir,

Your most obedient servant,

Chief Secretary to Government.

Second Price Control Conference

General and Revenue Secretariat.

W File No. 52 of 1940-1 [App. F. III-2

DEWAN'S OFFICE
JAN 1940
4789

OFFICE OF THE
FIRST LEGISLATIVE COUNCIL
JAN 1 1940
6346

Serial No. 3.

From

The Secy to the Hon'ble the Resident
no F. 193-39(5) W D 3rd Jany. 40
requesting to intimate the name of the Representative
Selected to attend the Conference, if the Mysore
Govt decide to participate.

This Govt did not send any Representative
for the First Price Control Conference held at
Delhi. (Flag A) Subd for perusal and orders

Chief Sec
I/c Member
Dewan

4/1/40.

Messrs M. A. Srinivasan and B.G.A.
Mudaliar who are going to Delhi for
the Labour Conference may be deputed to
attend this Conference also

5/1/40

5-1-40

Subd with a draft reply to the Residency.
A copy of the G.O deputing Messrs. Srinivasan
and B.G.A Mudaliar, deputing them for the
Price Control Conference also, is placed below
for reference. The time, place and agenda
of the meeting will be intimated to them
on receipt of the same from the Residency.

Flag 'B'

Issued Pol. 946 & 8th Jany. 1940 to all Secy.

NOTE—Contn. Sheet

C.B. 2179

Second Rice Control Conference

File No. | of 19 | General and Revenue Secretariat.

	Serial No.
From The Secy to the Hon'ble the Resident no F. 193-39 (5)-W dd 5th Jany. 1940 enclosing copies of the Provisional Agreement. Subd for perusal with a D.O draft to the Govt Director and Industrial Engineer.	5
(RS) 9/1.	
1911	
Issued D.O 3575/CS to Govt Director 3576 Industrial Engineer	6

CS 441

The reply to this communication should be addressed to the Secretary to the Resident in Mysore, Bangalore, by designation and not by name.

Urgent

No. F.193-39(5)/W.

W 52-40-3

9

FROM

THE SECRETARY TO THE HON'BLE THE RESIDENT IN MYSORE.

To

The Chief Secretary to the Government of
His Highness the Maharaja of Mysore,
Bangalore.

Dated Bangalore, the 3rd January 1940

SECOND PRICE CONTROL CONFERENCE.

SIR,

Flag A

I am directed to refer to your letter No.1408/C.B., dated the 13th October 1939.

2. The Central Government propose to convene the Second Price Control Conference with representatives of the Provincial Governments and certain Indian States at New Delhi on the 24th and 25th January 1940. The time, place and the agenda of the meeting will be intimated shortly. If the Government of Mysore decide to participate, will you please let me know at once the name of the representative or representatives selected to attend the Conference

I have the honour to be,
Sir,
Your most obedient servant,

for SECRETARY TO THE RESIDENT.

mp

Appendix F G—1]

SUBJECT.....

.....

.....

Section W
File No. 52-40
Serial No. 4

Diary No. of letter replied to .....

No. Rol 946

To The Secy to the Hon'ble the Resident.

Second Price Control Conference

General and Revenue Secretariat

( )

the *193*

Sir,

Date of issue 8-1-1940

With reference to your letter No. F. 193-39 (5)/W & 3rd Jany. 1940 on the above subject, I am directed to state that this Govt. have decided to participate in the Second Price Control Conference at New Delhi on the 24th and 25th Jany. 40 and Messrs. M.A. Srinivasan, Govt Director, Industrial Concerns and B.G. A Mudaliar, Industrial Engineer, who represent the State at the Labour Ministers Conference

Signed by .....

List of enclosures.....

Copied by.....

Examined by.....

WD 0278—GPB—30,000—4-3-38

on 22nd and 23rd Jany. 40, will
attend the Price Control Conference.

I have the

~~Edward~~ Lauck Secy to Govt

Rol 946

8th January 1940

The Secretary to the Hon'ble the Resident
in Mysore, Bangalore.

Second Price Control Conference.

With reference to your letter No. F. 193-39(5)/W dated 3rd January 1940 on the above subject, I am directed to state that this Government have decided to participate in the Second Price Control Conference at New Delhi on the 24th and 25th January 1940 and Messrs. M.A. Srinivasan, Government Director, Industrial Concerns and B.G.A. Mudaliar, Industrial Engineer, who represent the State at the Labour Ministers Conference on 22nd and 23rd January 1940, will attend the Price Control Conference.

I have the honour to be,
Sir,
Your most obedient servant,

For Secretary to Government,
Law Department.

PROCEEDINGS OF THE GOVERNMENT OF HIS HIGHNESS
THE MAHARAJA OF MYSORE.

Read :—
xxxxx

ORDER NO. D 3295-97/Dc 68-39-11

Dated, Bangalore, the 4th January 1940.

Government are pleased to direct that Messrs. M.A. Srinivasan, Government Director, Industrial Concerns and B.G.A.Mudaliar, Industrial Engineer be deputed to Delhi to represent the State at the Labour Ministers Conference on 22nd and 23rd January 1940. They will also attend the meeting of the Price Control Committee on the 24th January 1940 at the same place.

For Secretary to Government,
Development Department.

The Government Director, Industrial Concerns.
" Director of Industries and Commerce in Mysore.
" Comptroller to Government of Mysore, through the Financial Secretariat.
"

K.M.B.T.

Copy to Compt Br

W 52-40-5

17

The reply to this communication should be addressed to the Secretary to the Resident in Mysore, Bangalore, by designation and not by name.

OFFICE OF THE FIRST MEMBER OF COUNCIL
JAN 5 1940
No. 6385

No. F.193-39(5)/W

CS 2170

FROM

DEWAN'S OFFICE
6 JAN 1940
4838

THE SECRETARY TO THE HON'BLE THE RESIDENT IN MYSORE.

TO

The Chief Secretary to the Government of
His Highness the Maharaja of Mysore,
Bangalore.

CHIEF SECRETARY.
5 JAN 1940
GOVT. OF MYSORE.

OFFICE OF THE FIRST MEMBER OF COUNCIL
JAN 5 1940
No.

Dated Bangalore, the 5th January 1940

SECOND PRICE CONTROL CONFERENCE.

SIR,

Flag 'B'

I am directed to refer to my letter No.F.193-39(5)/W, dated the 3rd January 1940.

2. I enclose for the information of the Government of Mysore a copy of the Provisional Agenda of the Second Price Control Conference to be held at New Delhi in January 1940.

3. The Conference will meet in Committee Room "A" in the North Block of the Imperial Secretariat Buildings at 11 A.M. on the 24th and 25th January.

Subd
MS
5.1.40

1st Member
Hon'ble Law Secy

Dewan

I have the honour to be,
Sir,
Your most obedient servant,

for SECRETARY TO THE RESIDENT.

MS
5/1/40.

Mr
6-1-40

MS
8/1/40

(With 2 spare Copies)

Provisional agenda of the Price Control Conference to be held at New Delhi on the 24th and 25th January 1940.

1. Situation in the different provinces and States.

Statement by delegations.

Questions pending -

(a) what machinery of control has proved itself most satisfactory

(b) should there be uniformity in administrative machinery, with reference, in particular:

(i) to the appointment of Provincial Price Controllers

(ii) to the appointment of District Committees

(iii) to the delegation of powers to District Officers, etc.

(iv) to the use of provisions of the law or the Defence of India Rules other than Rule 81 of the latter Rules ?

2. General Price Policy.

Statement by the Economic Adviser on the development of prices since the outbreak of war.

Questions pending -

(a) Has the time come to widen the range of articles which are in practice subject to price-control ?

(b) Is there any necessity to revise the distribution of authority between the Provinces and the Centre ?.

(c) Is it advisable to add to Provincial price-control powers authority (i) to prohibit exports from the Province or (ii) to requisition stocks ?

3. Special problems.

(a) Grain shops as a method of meeting changes in the cost ..

cost of living.

(b) Speculation in wholesale markets in relation to the level of prices.

(c) Dyes.

(d) Wheat.

N.B. Items (c) and (d) will be taken up if discussions that are being separately conducted with the Provinces primarily concerned are completed in time.

Appendix F G—1]

SUBJECT.....

.....

.....

Section War

File No. 52-40

Serial No. 6.

(1) 3376/CB

No. (2) 3376/CB Secret

To Price Control Conference.

Diary No. of letter replied to .....

General and Revenue Secretariat

( )

the *193*

Date of issue 15/1/40

Signed by Sd/- B. K. Kaul

Assistant

List of enclosures.....

Copied by.....

Examined by.....

Dear Sir,

With reference to Govt Order No D. 3295-97. I & C 168-39-11 dt 5th Jany. 40 requesting you to attend the meeting of the Price Control Conference at New Delhi on 24th January. I am desired to enclose herein for your information a copy of the Provisional agenda of the Second Price Control Conference to be held in New Delhi in Jany. 40.

The Conference will meet in Committee Room "A" in the

North Block of the Imperial Secretariat
Buildings at 11 A.M. on the
24th and 25th January.

Yours sincerely

Messrs. M. A. Steinthal.
By A Mudaliar

(1) 3375/CB

(2) 3376/CB

25

10th January 1940

Dear Sir,

Second Price Control Conference.

With reference to Government Order No. D.3295-97/ I & C 168-39-11 dated 5th January 1940 deputing you to attend the meeting of the Price Control Conference at New Delhi on 24th January 1940, I am desired to enclose herein, for your information, a copy of the provisional agenda of the Second Price Control Conference to be held in New Delhi in January 1940.

The Conference will meet in Committee Room "A" in the North Block of the Imperial Secretariat Buildings at 11 A.M., on the 24th and 25th January 1940.

Yours sincerely

BKR

For Secy/Govt
Law Dept

1) M.A. Srinivasan, Esq., B.A.,
Government Director, Industrial Concerns,
B a n g a l o r e.

2) B.G.Appadorai Mudaliar, Esq., B.A., B.Sc., etc
Industrial Engineer, Bangalore.

W 52-40-7.

Col 1288/37

The reply to this communication should be addressed to the Secretary to the Resident in Mysore, Bangalore, by designation and not by name.

JAN 29 1940
No. 722

Dixx No. F. 193-39(5)/W.

Q 2387
G1

FROM

THE SECRETARY TO THE HON'BLE THE RESIDENT IN MYSORE.

To

The Chief Secretary to the Government of
His Highness the Maharaja of Mysore, Bangalore.

CHIEF SECRETARY
23 JAN. 19 0
GOVT. OF MYSORE.

Dated Bangalore, the 23rd January 1940.

CONTROL OF PRICES.

SIR,

I am directed to forward for the information of the Government of Mysore copies of the papers noted in the margin.

1. A resume of the Price-Control Conference held at New Delhi on the 18th-19th October 1939.
2. "Further Memorandum upon Price Control Policy", dated the 9th November 1939, prepared by the Economic Adviser to the Government of India.

Subd
MS
23/1/40

1 Sr Member
Hon'ble Law Secy

27/1

MM
30/1/40
MS
30/1

I have the honour to be,
Sir,
Your most obedient servant,

SECRETARY TO THE RESIDENT.

KK

For official use only.

A RESUME OF THE CONFERENCE

With representatives of Provincial Governments and Indian States on

"Price Control"

Held at the Imperial Secretariat, New Delhi, on the 18th-19th of October 1939,

The Hon'ble Dewan Bahadur Sir A. Ramaswami Mudaliar, Member (Commerce and Labour) presided.

NEW DELHI: PRINTED BY THE MANAGER
GOVERNMENT OF INDIA PRESS: 1939

PRESENT.

Representatives of the Government of India.

1. The Honourable Dewan Bahadur Sir A. RAMASWAMI MUDALIAR, Member, Commerce and Labour Departments—*President.*
2. The Honourable Mr. H. DOW, C.S.I., C.I.E., I.C.S., Director-General of Supply.
3. Sir GIRJA SHANKAR BAJPAI, K.B.E., C.I.E., I.C.S., Secretary to the Government of India, Education, Health and Lands Department.
4. The Honourable Sir ALAN LLOYD, C.S.I., C.I.E., I.C.S., Secretary to the Government of India, Department of Commerce.
5. The Honourable Sir GUTHRIE RUSSELL, K.C.I.E., Chief Commissioner of Railways.
6. The Honourable Mr. C. E. JONES, C.I.E., I.C.S., Secretary to the Government of India, Finance Department.
7. The Honourable Mr. M. S. A. HYDARI, C.I.E., I.C.S., Secretary to the Government of India, Department of Labour.
8. Mr. A. deC. WILLIAMS, C.I.E., I.C.S., Secretary to the Government of India, Defence Co-ordination Department.
9. Dr. T. E. GREGORY, D.Sc., Economic Adviser to the Government of India.
10. Mr. N. R. PILLAI, C.B.E., C.I.E., I.C.S., Joint Secretary to the Government of India, Department of Commerce.
11. Mr. P. M. KHAREGAT, C.I.E., I.C.S., Vice-Chairman, Imperial Council of Agricultural Research.
12. Dr. JOHN MATTHAI, C.I.E., Officer on Special Duty, Commerce Department.
13. Mr. T. S. PILLAY, M.A., B.L., Secretary, Economic Resources Board.

Representatives of the Provincial Governments.

1. The Honourable Mr. K. M. MUNSHI (Minister, Home and Legal), Bombay.
2. The Honourable Dr. KAILASH NATH KATJU (Minister, Justice, Development, Agriculture and Veterinary), United Provinces.
3. The Honourable Mr. QAZI ATAULLAH (Minister, Education), North-West Frontier Province.
4. Mr. F. W. STEWART, M.C., C.I.E., I.C.S. (Madras).
5. Diwan Bahadur V. N. VISWANATHA RAO (Madras).
6. Mr. H. T. SORLEY, M.A., I.C.S. (Bombay).
7. Mr. K. G. MORSHED, I.C.S., Chief Controller of Prices, Bengal.
8. Mr. N. C. MEHTA, Bar.-at-Law, I.C.S. (United Provinces).

9. Mr. J. D. ANDERSON, I.C.S., Additional Secretary to the Government of the Punjab.
10. Mr. R. A. E. WILLIAMS, B.A. (Oxon), I.C.S. (Bihar).
11. Mr. D. V. REGE, B.A., Bar.-at-Law, I.C.S., Director of Industries, Central Provinces and Berar.
12. Mr. C. K. RHODES, B.A., C.I.E., I.C.S., Special Officer, Assam.
13. Mr. H. P. TOLLINTON, I.C.S. (North-West Frontier Province).
14. Mr. S. N. MAZUMDAR, B.A., I.C.S. (Orissa).
15. Mr. G. F. S. COLLINS. M.A., C.I.E., O.B.E., I.C.S., J.P. (Sind).

Representatives of the Indian States.

1. MIR MAQBOOL MAHMUD, Secretary to H. H. the Chancellor, Chamber of Princes.
2. Mr. A. MOHIUDDIN (Director of Industries, Hyderabad State).
3. Mr. AMIR ALI KHAN (Marketing Officer, Hyderabad State).
4. Mr. A. RASHID (Kashmir).
5. Mr. K. V. UPLAP, Naib Dewan (Baroda State).
6. Mr. G. PARAMESWARAN PILLAI (Travancore).
7. Mr. RAMJI DAS VAISHYA (Gwalior State).

1. **The President** opened the Conference by cordially welcoming the representatives of Provincial Governments and Indian States who had responded to his invitation and recalled briefly the circumstances in which the Central Government were obliged to delegate to the Provincial Governments power to fix the maximum prices of certain necessaries of life, and thought that the time had come to pool their experience and seek a workable and economically scientific basis for future action. The President continued that at the outbreak of the War there was 'panic' and public agitation against what was believed to be profiteering. Several Provincial Governments considered that some form of price control should be introduced to allay public fears and alleviate a situation which otherwise might lead to disturbance of the public peace. The expert advisers to the Central Government were of the opinion that as supply and communications were normal, prices would soon be stabilized at reasonable levels, but the Central Government were finally persuaded to delegate powers under the Defence of India Ordinance, more from the point of view of law and order, than because of the economic soundness of price control. As the Conference was aware, the emergency action taken and the fact that powers existed to fix prices, had had the effect of checking the initial panic. But several other problems had arisen. Even at the very early stages differing policies of price control, adopted by different Provincial Governments, called for further modification of the necessarily very general powers delegated by the Central Government; for example, they had to lay down that in fixing the price of commodities imported from one province to another the prices fixed by the 'province of origin' should be taken into account. The President concluded his opening remarks by inviting the representatives of Provincial Governments and Indian States to give their experiences and state what special problems if any that had arisen.

2. **The Honourable Dr. Katju** (U. P.) said that in his province, as in others, prices rose steeply at the outbreak of the war. Government were compelled by public opinion to take some action. They had confined themselves to a very few essential commodities, and on the whole the measures taken had served to check the panic generally, while perhaps the normal working of the economic forces had brought prices down. The special problems of his province largely arose because of its being an inland province and because of its population being predominantly agricultural. As an inland province they had to regulate their prices for 'imported articles' on action taken and condition prevailing in maritime provinces, and as an agricultural province they were firmly opposed to any form of controlling the prices of agricultural produce.

The Honourable Dr. Katju next directed his observations to the problem of fixing a fair price and admitted the soundness of the contention that the maximum price of a commodity should be based on the cost of replacing it. The Chamber of Commerce had interviewed him on this subject and a very forcible plea put forward by them was whether Government would step in to protect them from a slump in prices at the close of the war. The Honourable Dr. Katju then referred to the special difficulties in obtaining medical supplies, and in checking the rise of price of iron and steel products and considered that the Central Government should do something to ensure adequate medical supplies at a fair price. They (U. P.) themselves had asked a committee to survey stocks and estimate requirements but this was a field in which all-India action was suitable.

3. **The Honourable Mr. Munshi** (Bombay) followed by stating that the Government of Bombay was one of those which, though quite convinced that no real economic necessity had arisen for price control, felt that the public situation in the city of Bombay, especially in labour areas, demanded some Government action. They had therefore asked for powers under the Defence of India Rules and their experience generally was that by persuasion and threat of action prices had begun to settle down and excepting for medical supplies the position seemed satisfactory. The Honourable Mr. Munshi next proceeded to say that Bombay Government's price policy differed according as the commodities were—

(*a*) produced and consumed in India; or

(*b*) imported from abroad and for which no substitutes were available.

As for (*a*), their policy was to restrict control to the commodities very essential for the life of the community. Each province he thougnt should determine its own necessities and observe price progress from time to time.

In regard to (*b*), the Government of Bombay thought that distinction should be made between those essential for the life of the community, as for example, drugs, and dyes for weavers and that control should restrict itself to these. Steel and pig iron might also have to be considered.

4. The question of fixing the fair price for the controlled commodities, continued the Honourable Mr. Munshi, was fraught with difficulties and he pointed out the necessity of a precise formula for fixing prices for the

purpose of legally enforcing the penal clauses in the price control Ordinances. He agreed that generally maximum price could only be determined on the basis of replacement cost and that there were grave administrative difficulties in differentiating between old and new stocks. He thought that a proper percentage rise at each stage of distribution should be fixed and above all in the City of Bombay there was need for propaganda. It was not only necessary to collect information about prices and have an adequately equipped market intelligence service, but an explanation in the newspapers of the several factors that entered into the cost of distribution of a commodity would be useful.

Mr. Morshed (Bengal) stated that the early panic in the City of Calcutta was effectively checked by prompt executive action and his Government acted on the belief that price control in every possible direction was desirable and necessary. They had formed expert advisory bodies and generally acted on the view that differentiation could and ought to be made between prices of old and new stocks. They had by action and threat of action succeeded in preventing panic and spectacular rises in prices and their present difficulty was to induce stock to be put up for sale. The Bengal representative frankly admitted that the replacement cost basis for fixing maximum price advocated in the Memorandum of the Economic Adviser upset the basis on which they had hitherto been working and his Government was not in favour of accepting this principle.

5. **The Honourable Qazi Ataullah Khan,** the Minister representing the Government of North-West Frontier Province, complained that his province was in a very difficult position, as a very backward province and as one depending for everything on neighbouring provinces. He thought that as peasants in his province were very poor and very ignorant it would serve them well if a minimum price for their produce could be fixed instead of the maximum. He stated that the difficulty in his province was to obtain stocks and get the existing stocks on the market and therefore advocated the methods of requisitioning and rationing especially of drugs. He endorsed the view already expressed in the Conference that the Central Government should collect and disseminate information about prices in leading markets of essential commodities at least to all provinces and Indian States.

The Secretary of the Chamber of Princes (Mr. Maqbool Mohammad) thanked the Government of India for inviting the States and said that their experience was as in other provinces—prices rose, but have now come down. There was an imperative need for a well-informed intelligence service and any help the Government of India could give in this respect would be appreciated. He concluded by stating that a Conference of this type would serve a very useful purpose.

Mr. Rhodes from Assam welcomed the suggestion for the Central Commercial Intelligence Service and stated that his Government were not very enthusiastic over any scheme for price-control as it could be a double-edged weapon. Once a maximum was fixed the tendency was for prices to reach that maximum. His Province's anxiety was more to get adequate supplies for the poor than for price-control.

Mr. Stewart (Madras) endorsed Mr. Rhode's view and said that they went about price-fixing very cautiously. They did not fix any percentage rise, but have asked Divisional Committees to survey and

watch each essential commodity. They had some anxiety for sugar. **Mr. Viswanatha Rao** supplemented Mr. Stewart's remarks by saying that his Government's concern was for the poor and they had very special difficulties over the Burma rice problem. They did not want the price of indigenous rice to be controlled but would welcome Burma rice at controlled prices for the poor. The problem was recognized to be difficult as Burma was not part of India. The position of the handloom weaver and supply of dyes were also mentioned. The speaker conveyed his Government's surprise at the rise allowed by the Government of India in the price of kerosene. **The President** explained that, here again, Burma was no longer a part of India; the Government of India did not however accept the claim of the oil combines to raise prices to the world level, but to ensure a supply of this essential commodity, which could be exported to more favourable markets, the Government of India had to allow a fair rise based on increased costs.

Mr. Collins, I.C.S. of Sind said that they followed the Madras policy of not generally fixing any percentage rise. They were watching each essential commodity in every area that required watching and by threats and persuasion they succeeded in keeping prices at a fair level for many essential commodities. Their difficulty also mainly related to medical supplies and to products of iron and steel. His Government had not evolved any definite policy of price fixing. They, as at present advised, did not favour the basis of replacement cost. He thought that a scientific price control scheme could only be devised and worked by the Central Government.

Mr. G. Parameswaran Pillai (Travancore) was interested in getting adequate foodstuffs, in keeping down the price of Burma rice and a specific suggestion made was that Government should prohibit buying large stocks of agricultural implements by private persons.

Mr. K. V. Uplap (Baroda) complained that in spite of price control rise in prices had not been checked.

Mr. Ramji Das (Gwalior) said that Gwalior Government were watching the situation through advisory committees and so far no trouble had risen, but the rise in adjoining States might give trouble.

The Hyderabad representative, **Dr. Amir Ali,** stated that the Hyderabad Government had not fixed a maximum price but carefully surveyed the situation by establishing a central advisory committee and asking the Associations of Merchants themselves to work in a co-operative spirit and help the Government to check profiteering. The Government had devised methods of helping Merchants' Associations in arriving at reasonable prices by obtaining quotations and had succeeded in persuading them to fix reasonable prices for their products. They found that the scheme worked well. He admitted that they had to concede the principle of replacement cost but his Government were convinced that there was not much profiteering. His Government had also taken steps to broadcast prices of primary articles of consumption in leading market centres. He concluded by stating that he thought a well organized commercial intelligence service was essential and that there should be exchange of authoritative information, that is to say, information to assure that no collusion had been entered into among merchants. His State also suffered from lack of supply of dyes and medicines and some action was necessary in this direction.

Mr. Williams, I.C.S. (Bihar) said that as a poor province, mainly agricultural, his province welcomed rise in agricultural prices but found profiteering at early stages. They depend largely on Bengal and their chief difficulty was to get medical supplies and iron and steel goods. Stocks were held and not sold. His province was also affected by salt prices and though Sambhar salt remained steady prices went up to Bengal imported salt level. The Government of Bihar's main concern was to get supplies out on the market and evolve a reasonable basis for fixing maximum price. Bihar might admit the 'economic' soundness of 'replacement' basis but was anxious to check rise in the prices of medical supplies. Mr. Williams also mentioned the difficulty in knowing the exact manufacturing cost of 'flour' and advocated the establishment of the Central price news service.

Mr. Rege, I.C.S., of Central Provinces and Berar said that price control methods adopted prevented panic, and his Government were against controlling agricultural prices. Their difficulty also was to get medical supplies.

Mr. Anderson, I.C.S. (Punjab) said that their experiences were the same as of U. P.; prices had settled down after the initial panic, and suggested that for articles imported into a province the Government of India should be the price fixing agency.

Mr. Rashid (Kashmir) wanted supplies to be ensured.

Mr. Mazumdar, I.C.S. (Orissa) said that they did not issue any general orders and had formed district committees with advisory bodies. They collected and broadcast information about prices from various market centres in their own province and wanted similar information from others.

The above concluded the narration of experience and difficulties of the Price Control scheme by provinces and Indian States.

6. **The President** said that the one general suggestion that emerged from the discussions was the establishment of a Central "price news" service and he would welcome concrete proposals as to what Provincial agencies could do and how far the Centre could co-ordinate and help. **Dr. Gregory** explained at this stage with the help of a 'Price Chart' what the Centre had been doing in watching the general trend of price levels (export and general) and stated that an amplification of this in any desired direction could perhaps be made. **The Honourable Dr. Katju** thought that the details given in the leading daily newspapers were adequate but the general sense of the Conference was that these details were not suitable particularly as units of weights and measures quoted were not uniform in all provinces. **Dr. Matthai** stated that the Government of India Commercial Intelligence Department were already giving some information and they could amplify it by sending weekly sheets of price quotations of selected commodities in leading market centres. **Mr. Mehta** (U. P.) suggested that the graphs that used to be published in Indian Trade Journal might be resumed and indices of prices of certain essential commodities be sent round. **The Honourable Mr. Munshi** thought that some authoritative price quotations were in any event necessary to make the penal clauses in any price fixing orders workable. The

suggestion was made that for certain imported articles at least information might be collected from the Collectors of Customs and the suggestion was noted for consideration by Government.

An allied point to price intelligence service was the supply of information to the Government of India as to how the prices of controlled commodities were moving in the provinces and how the controlled schemes were working. It was agreed that a weekly or fortnightly report might be sent to the Government of India by the Provincial Governments and Indian States.

The President concluded the first day's deliberations by stating that he would circulate to members specific propositions that might be discussed in the second day's meeting.

7. When the Conference re-assembled on the 19th of October at 11 A.M., **the President** said that the first question before them was—

(1) "Is it expedient to recognize as a principle of price-fixing the necessity of having regard to replacement costs"?

The principle of replacement cost could, he said, be easily illustrated by applying it to imported goods. A trader had on a given date stock in a particular commodity valued at Rs. 100. To get the same stock later he would require Rs. 150. Was he entitled to sell the entire stock at an enhanced figure to compensate him for the higher money value he would have to pay to re-acquire the same quantity of stock? The answer of experts was that the trader was entitled to enhance the price for existing stock on the ground that replacement cost him more. If the existing stock were sold at old prices and the proceeds were invested in a new stock at higher prices, the trader had in effect lost a part of his real capital. That was the natural economic position of any trader and it had also been urged that, administratively, it was impossible to distinguish between old and new stocks. So the conclusion suggested was that the necessity to have regard to replacement cost should be recognized as a basic principle of any price-fixing.

8. The Bengal representative (**Mr. Morshed**) pointed out that his Government did not in practice accept the principle of 'replacement cost' and he pressed at considerable length the view that some distinction should be made between the old and new stock. The opinion that seemed to have prevailed in Bengal was that it was administratively possible to make this distinction and that actually they have done so in the various price fixation orders they had issued. It was claimed that though these orders had not been applied yet in some cases they had the moral effect of arresting prices in several directions and that, therefore, they had justified themselves. The Economic Adviser (**Dr. Gregory**) explained the full implications of not recognizing the principle and the fundamental objections in his view were (i) the almost insuperable difficulties to distinguish, in practice, between the old and the new stock, and (ii) the very dangerous possibility, which is almost a certainty, of stocks being driven underground. Such a scheme would inevitably involve Government in requisitioning and rationing with the attendant evils of corruption, etc., and the gravest danger of all was that the scheme would not ensure supplies of commodities, scarcity of which it was extremely desirable to avoid.

The Honourable Dr. Katju said that his Government accepted in principle that replacement cost should form the basis of any price fixation and reiterated a point he had already made that the United Provinces Government did not favour any control of the prices of agricultural produce. **The Honourable Mr. Munshi** admitted that replacement cost in principle was sound and it would be essential in practice to fix a standard of profit for every middleman to make the price control orders workable. **The representative of the Princes Chamber** also voiced the view that any price control scheme should not adversely affect the agricultural producer. **The President** summed up the discussion on this issue that the general view was that the principle of having regard to replacement cost in price-fixing should be accepted.

9. The second issue before the Conference was: "On the basis of 'constructive importation' is it reasonable to allow the Indian price to rise to the world level"? **Dr. Gregory** explained that 'constructive importation' covers both a wide as well as a narrow case. In the wider case it relates to commodities that have ceased to be imported and where substitutes were locally produced. The narrower cases were those of certain articles produced partly in India and partly elsewhere, where the Indian producer sold to the Indian importer who had till then imported the supply which the latter sold in India. In both cases the demand of the producer was to ask for the price that would have to be paid if the commodity were imported under war conditions. What should be Government's attitude to such demands? Dr. Gregory was clear in his own mind that the demand should be rejected, at any rate, during war conditions and the only price to be allowed was that which would ensure the required supply. **The President** stated that the doctrine of 'constructive importation' was urged by kerosene interests and as he had already explained the Government of India did not accept it. The Conference agreed with Dr. Gregory that 'constructive importation' as a doctrine of price fixation for war time purposes must be rejected.

10. The third proposition taken up was: "What was the appropriate price policy to be adopted in regard to exportable goods?" **The Honourable Dr. Katju** again affirmed his Government's view that no price control should be introduced for agricultural produce. **Dr. Gregory** thought that the following considerations arose in this connexion:—

(*a*) Rise of prices in necessaries of life might be so steep as to cause serious social discontent and labour difficulties;

(*b*) Certain war demands and restrictions might evoke special problems. **The Bombay representative** thought that in course of time problems of industrial areas might compel them to reconsider their present general view that no price control scheme should affect the normal rise in the prices of agricultural produce. **The President** summed up the discussion. It seemed to him that the view was largely shared that it was undesirable to check the rise of prices, at any rate, for the present, as far as agricultural produce was concerned, but in course of time the problem might become serious and that there might have to be imposed two limitations: (*a*) with regard to necessaries of life; when the prices

rose so sharply as to bring about serious social discontent; and (*b*) with reference to Government supplies for war purposes when a steep rise would militate against adequate war effort.

11. Proposition No. 4 was: "In considering any further increase of prices from time to time, what are the general principles to be observed with regard to it"? **The President** stated that September 1st was fixed by the Government of India as a convenient date at the time, and that later dates might have to be varied. **Dr. Gregory** stated that the following points arose under this issue:—

(i) Should rise be allowed even in case where industries have reached their total capacity to produce?

(ii) Even in agriculture it was conceivable that in certain cases the limit of acreage had been reached, as for example, jute. Should we allow indefinite rise?

(iii) Shortage of labour might lead to demand in rise of wages and an all-round increase in prices; and

(iv) Should we think in terms of a uniform percentage rise or in terms of particular commodities?

Dr. Gregory thought that on (i) the only possible justification for a rise was to check consumption and that as regards the others, generally speaking, there should be certain limits; each commodity and occasion should be carefully examined taking into account all the relevant circumstances. **The Honourable Dr. Katju** entered a caveat against meddling with agricultural produce. There was some question as to whether any actual problem of capacity production had already risen. The case of the iron and steel industry was pointed out as a possible immediate problem.

12. Propositions Nos. (5) and (6) that read as follows:—

(5) "What should be the present price policy of the Central Government and of the Provinces and States"?

(6) "What principle should be adopted in encouraging production or fixing the prices of goods produced in India to replace goods hitherto imported"? were disposed of as having been covered by the discussion on the preceding propositions.

13. Proposition No. 7: "Is it expedient to utilize the process of requisitioning or commandeering either by the Central Government or by Provinces and States"?—**The Honourable Dr. Katju** doubted whether the existing Defence of India Rules provided for such power for purposes other than war powers. **The President** pointed out that discussions might proceed on the ground that powers would be taken if necessary. One Government had already asked for such a power. **The Bengal Government representative** urged that the power was necessary and should be given. **Dr. Gregory** pointed out that the grave dangers in the demand were: (*a*) stocks would disappear and there was no power to ensure supply; and (*b*) the obviously grave administrative difficulties in handling the distribution of the requisitioned articles. If the power was to be exercised at all it should be on an all-India basis and he himself doubted the wisdom and expediency of Government commandeering stocks.

There was a consensus of opinion in favour of Dr. Gregory's contention and it agreed that it was inexpedient to utilize powers of commandeering commodities and that the difficulties following on such commandeering were so great that powers should not be utilized except in the very last resort.

14. During these discussions, **the President** announced that medical supplies including surgical instruments would form the subject of consideration by another Conference convened by the Government of India when the Director General of Indian Medical Service will meet the representatives of importers and manufacturers of drugs. He had invited the Provincial Governments and Indian States to send their representatives, their Surgeons General, if possible, as it would discuss technical questions relating to medical supplies. A full statement of their requirements, the position regarding stock and possibilities of getting fresh supplies could then be made and examined. The Conference agreed. There was a short discussion on the position of 'quinine'. Bengal and Madras were interested. It was pointed out on behalf of the Education, Health and Lands Department that this question was separately under their consideration. A question was put by Bihar what was the practical policy to be adopted towards medical supplies pending the Conference. It was suggested that as an *ad interim* policy prices might be allowed to go up without restriction and the advantage of that course would be that supplies might come in and that substitutes for enemy country medicines might then be profitable to produce and import.

15. The eighth proposition was the "Definition of articles suited for price control". **The President** asked whether there was any desire to increase the number of controlled articles. Bengal indicated her desire to do so, but others seemed content to accept the existing limited list. It was admitted that so far the threat of action rather than actual action served to limit prices. The Indian States expressed the view that building materials for the very poor might be included and it was generally pointed out that any article that entered into the manufacture of any essential commodity should also be included, *e.g.*, sulphur for matches. The general view was that commodities selected for control should really be very limited in number. The general opinion in the Conference was that there was no case to extend the existing definition of articles suitable for price control.

16. The ninth proposition was the division of authority between the Centre and Provinces. **The President** stated that for imported articles and for those perhaps that were of all-India importance as coarse cloth which largely entered into inter-provincial trade the Government of India were the appropriate authority to fix the basic price at the first stage of distribution. In all other cases generally the Provinces should be the proper authority, consulting the Government of India wherever necessary. The President's proposal was agreed to.

17. Proposition No. 10. The question of educating public opinion on these economic matters was advocated by Bombay which asked for simple pamphlets to be published in the vernacular press. The difficulties and limitations of Government publicity were realized. There seemed however some demand for careful and well-timed publicity of movement of

prices, of the existence of stocks, arrival of supplies, and such other matters that would avert panic, often caused by inadequate or incorrect information.

18. Under the last item in the Agenda—future Conference—it was pointed out by Bengal that a quarterly Conference of this kind would serve a very useful purpose and that they might be held at various centres. **The President** agreed that subject to the requirements of the Government of India business the Conference could be held at various centres, and the conclusion was that such Conferences were useful and should be held quarterly. The President announced that to meet the desire of several representatives, Dr. Gregory agreed to prepare an explanatory Memorandum on the wider issues raised by the discussions on the second day of the Conference which the President would have circulated to Provinces and Indian States.

19. The proceedings of the Conference were brought to a close by the President thanking the representatives and by the Honourable Dr. Katju and Mr. Maqbool thanking the chair on behalf of the representatives of Provinces and Indian States respectively.

T. S. PILLAY,

Secretary, Economic Resources Board.

Dated the 23rd October 1939.

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Further Memorandum upon Price Control Policy, prepared by the Economic Adviser to the Government of India.

1. At a Conference upon price-control policy, held at New Delhi on October 18-19, 1939, and attended by representatives of the Provinces and of certain States, a tentative series of conclusions upon questions of principle were arrived at. It was also decided that the Economic Adviser to the Government of India should prepare an explanatory memorandum, setting forth at length the economic reasoning which is involved, in each particular case, in the conclusions so arrived at.

2. *Conclusion I.—It is expedient to recognise, as a principle of price-fixing, the necessity of having recourse to "replacement-costs".*

3. It is not always fully recognised what the problem which confronts the price-fixing authority really is. At the outbreak of a War, or of any other emergency, when it is anticipated that there will be a relative shortage of supplies in the future, there will be a twofold tendency in the economic field. The consumers of goods will attempt, insofar as they possess the necessary means, to cover their requirements for some time ahead, since they recognise that shortage of available supply will involve a scramble for what they desire and this scramble will lead to rising prices because the better-off sections of society will be willing to pay higher prices rather than go without. On the other hand, the trading classes of society, also recognising (and in most cases, much more clearly) the possibility of future shortages, are naturally unwilling to part immediately with the stocks that they actually have on hand; because, they will naturally be inclined to argue, if they refuse to sell now and wait until the shortages develop, their existing stocks will be more valuable. They will only sell now, if they get a price which compensates them for the loss of the higher prices they might have got if they had waited and had refused to sell their existing stocks at once.

Now, it must be pointed out that from the ethical point of view, there is really nothing to choose between one or other of these points of view. The desire of consumers to cover their requirements for a period of time as far ahead as possible at the lowest possible price, or their current requirements, insofar as they cannot, in consequence of limited resources, take much account of the future, is perfectly natural and not in the least blameworthy. On the other hand, the desire of traders not to sell at a lower price now, when the same article can be sold at a higher price later, or the desire of traders to sell at a higher price now, if the circumstances permit, cannot be regarded as more selfish than the attitude of the customers with whom they are dealing. If it is selfish to attempt to hold up supplies, it is equally selfish to attempt to lay in stocks. If it is selfish to attempt to charge high prices, it is equally selfish to attempt to obtain low ones. It is, therefore, highly important that the whole question of what it is right to charge for a given commodity should be discussed without moral preoccupation. It would be fatal to start with the preliminary presumption that traders are predatory, because they charge or would like to charge higher prices during an emergency, or to start with the contrary assumption that consumers are necessarily morally justified in asking for low or unchanged prices, because these happen to suit their convenience best. It is quite obvious that the problem cannot be profitably discussed in terms of right and wrong, without regard to the economic consequences of adopting various alternative courses of action.

4. Except in those comparatively rare cases when, owing to war conditions, the existing stock must be regarded as the limit of the available supply for the duration of the War, the situation with which price-control is concerned is that of continuing supply, but supply at changing and, for

the most part during the War, rising prices. The public is prepared to pay higher prices, rather than go without, in the case of new supplies ordered at new prices, but resents the suggestion that it should pay the new prices for the old supplies; arguing that there is no justification, either in equity or from the economic standpoint, in paying as much for the article which has been obtained more cheaply as for the article which has been obtained on more expensive terms.

5. In dealing with the logic of this matter, it must first be pointed out that it is administratively very difficult to insist upon different prices for the same commodity being charged at one and the same time. If dealer A obtained his stock at one price, and dealer B his stock, at another and higher price, B's customers will deal with A and the only effect will be to exhaust A's stock much faster. Meanwhile A will naturally argue that if he refuses to sell *at all*, the public must deal with B at higher prices, which will exhaust B's stock, and, if prices are rising, B will have to buy a fresh supply at still higher prices. In the course of time, the pre-war price will have been forgotten and then A can sell at a still greater profit.

Moreover A, the dealer with the stock acquired at the old price, cannot be prevented from selling to fictitious customers at a slightly higher price and re-purchasing the stock; in which case he is no longer the owner of a "pre-war stock". Again, there is nothing to prevent customers buying A's stock and re-selling it at prices intermediate between A's original price and B's higher price. And, finally, from the public's point of view, the distribution of good fortune (in the sense of being able for the time being able to acquire commodities at lower prices), between various members of the public is purely fortuitious. If there were some method of guaranteeing that, so long as there were any low-priced supplies, the poorer members of the public could obtain them, whilst the richer members were obliged to buy the higher priced supplies, there would be some approximation to distribution according to need, but, of course, in practice it might easily happen that the trader with the pre-war stock acquired at low prices might be serving the better-off members of the community, whilst the trader with the post-war stock acquired at higher prices might be serving the poorer members of the community. In reality, the interest of the public does not lie in the exploitation of perfectly fortuitous factors such as the *de facto* distribution of stocks at a given moment of time but in maintaining such price-conditions as will maximise the chances of supplies continuing to be available.

6. When attention is diverted from completely finished commodities, (which constitute, administratively, a relatively simple problem because it is possible, at a pinch, to follow them physically in their transit from manufacturer or importer, through the wholesaler to the final distributor) and regard is had to the ingredients which enter into finished products, the difficulties and disadvantages of disregarding replacement cost become more easily discernable. A simple case may be taken: that of baking powder used by confectioners. Wholesaler A has a pre-war stock and sells at lower prices, though with the usual oncosts. Wholesaler B has acquired new stocks at higher prices since the outbreak of the War. The bakers who buy from wholesaler B must, if they wish to cover their higher costs, charge more for cakes. Is it reasonable to suppose that those particular bakers who buy from wholesaler A will charge less for their products: or, if they do, that they do it for any other reason than that they wish to divert customers from the bakers who buy from wholesaler B? And, in any case, how will it be possible for the price-fixing authorities, without an enormous administrative apparatus, to discover from which particular wholesaler a particular baker is buying: in what quantities, and how precisely the benefit is to be passed on to the public? Thus, except in the relatively restricted sphere of finished products, the differentiation between "old" and "new" supplies and the determination of the appropriate final selling prices becomes administratively impossible.

7. Important as they undoubtedly are, the administrative difficulties referred to in the preceding paragraphs are not, however, decisive. The principal economic justification for the acceptance of the principle of replacement cost is that the acceptance of any alternative principle prejudices the economic status of the trader and through him, prejudices the economic system as a whole. Part of the national capital consists, at any moment of time, of the stocks in the hands of traders. Suppose such stocks to be worth, at a certain moment, ten crores of rupees. If the traders normal profit on turn over is ten per cent., the existent stocks would be sold for eleven crores of rupees. But, if, as a result of war conditions, prices double and traders are obliged, by the pressure of law or administrative practice, to sell at the old prices *plus* the normal profits, the eleven crores of rupees which they will receive will suffice to buy only a little more than half the old stocks and the real capital of the trading community will have been reduced to that extent. Thus it is right to allow replacement cost to be charged if it is desired not to impoverish the trading community, not in terms of money but in terms of real capital.

8. It may be pointed out that the public, whilst resenting the application of the principle of replacement cost in periods of *rising* prices, invariably demands its application in periods of *falling* prices. Suppose the War to be coming to an end: there will then be the possibility of getting fresh supplies at lower prices. The knowledge that this is so will force down existing prices: firstly, because traders knowing that prices will fall in the future try to get rid of as much as they can of their existing higher priced supplies and this causes prices to fall: whilst the public will restrict their demand, arguing that if purchases can be postponed, the new supplies can be acquired at lower prices and this postponement in itself will make traders still more anxious to sell and again prices will tend to fall. The higher money profits made by traders when they sell old stocks at rising prices are offset by the losses made when old stocks bought at high prices have to be sold at falling prices. It is impossible to justify falling prices by reference to the lower cost of replacement and refuse the application of the same principle to the case of rising prices.

9. *Conclusion II.—The doctrine of "Constructive Importation", whether in the narrower or the wider sense, is not, under war conditions, a sufficient warrant for allowing prices in India to rise to a calculated "import-parity".*

A variety of problems can most conveniently be discussed under this head, ranging from certain highly technical cases to the price-policy appropriate to substitute articles which, under the pressure of war scarcity, it is likely will be produced in India.

10. (*a*) In recent discussions between the Government of India and certain business interests, the latter advanced the view that in fixing the limits to which prices should be allowed to rise, account should be taken, not only of any increase in cost actually incurred, but of potential increases which would be involved if the commodities in question had to be imported from certain areas, in which case dollar prices would have to be paid. Such importation was actually avoided by special arrangements in consequence of which part of the actually imported supply was drawn from sources not requiring dollar-payments, whilst part of the Indian demand was met from sources adjacent to India which might, had it not been for these arrangements, have sold in the world market, and were therefore entitled to payment at rates which took world prices into account. World prices, in terms of rupees, have in fact recently risen, and the business interests demanded that Indian prices should now be adjusted to take account of the change in the rupee-sterling-dollar ratio. Such a rise it was argued, was justified because the imports would have had to take place at world prices, had it not been for the special arrangements alluded to above, which diverted supplies to India which might otherwise have had the benefit of world prices at present rates of exchange.

11. These claims were not recognised as valid by the Government of India on the *general* grounds that the special arrangements upon which they rested were only possible in a world where there was a possibility of diverting supplies freely to and from all sources of production and consumption, and such a world did not exist under the special circumstances of war-time. For in War Governments in general and not merely the Government of India retained and exercised the right of interfering with freedom of movement and of sale. Thus the Government of India decided that it was unnecessary to allow prices in India to be governed by a standard of international freedom of movement which was purely hypothetical. It was, however, fully necessary to take into account the fact that if India was dependent, as in fact she is, on outside sources for part, or the whole of the supply, of certain articles, it would be necessary to pay what was necessary to attract the minimum quantity which she required. In other words, the rise of prices to be sanctioned depended upon supply conditions: but supply conditions were to be interpreted realistically and in the light of actual circumstances.

12. (*b*) Such a realistic interpretation of supply conditions is imperative in view of other contingencies connected with the war situation.

Firstly, it is highly probable that increases of price will be defended by actual importers or by those who buy from importers, on the ground that exchange-rates, insurance and freight charges, justify such an increment, As already pointed out, it is necessary to take account of replacement costs, and alterations in the above-mentioned items are legitimate causes of changes of price. Nevertheless, it is the *actual* changes in costs which alone are relevant. It would be illegitimate to assent to the argument that prices should be allowed to rise by, say, x per cent. because, if the article in question had not been imported into India, but sent, say,-to the United Kingdom or some European neutral country, the producer in the country of export would have obtained the equivalent of the Indian price *plus* x per cent. The fact that the producer is willing to sell to India for less shows that the article can be obtained for less than this "calculated" import-price. The fact is that during War so many restrictions are imposed on the free movement of goods that it is not always possible to sell more than a limited amount to the market which "pays" best and prices in other markets need not be calculated on the assumption that unless the highest price is paid, the article will not be forthcoming at all. In other words, the extent to which prices should be allowed to rise is a question of fact.

Secondly, difficulties may also occur in connection with articles produced in India and intended to be in substitution of those imported from abroad. By the very terms of the case, such articles are not likely to meet with effective competition during the war with imported commodities and the conditions under which they are produced, *i.e.*, *quasi*-monopolistic conditions will make for high prices, high, that is in relation to the pre-existent situation. The "general interest" is affected when such articles can be regarded as "necessities of life", *i.e.*, drugs and medical supplies generally, and, as "necessities of life", they are capable of being legally subject to regulation. If it becomes necessary, so to regulate them, the principle which must underlie administrative action is, again, this: what is the price appropriate to call forth the desired supply? Any price which is higher than this would be uneconomical, any price less than this would also be uneconomic, in the sense that the articles would not be produced at all, or not in the necessary quantities. But the "Supply-price" must be determined in the light of actual circumstances, and the standard of reference must be, not the theoretical cost of importation from the old sources of supply, but cost-conditions in India itself.

13. *Conclusion III.—With regard to exportable produce, it is not in general desirable to interpose obstacles to a rise prices, subject, however, to two general qualifications which may develop out of the War situation.*

The general effect of War is to stimulate greatly the international demand for raw materials of all kinds and this War (characterized as it is by a specially acute demand for jute products), is likely to confirm previous experience. Even though enemy countries are as far as possible precluded from receiving supplies, the demand from the rest of the world is likely to be intensified and if the position is complicated, as it is in the present case, by abrupt changes in the dollar value of sterling and the rupee, the rise in the case of articles subject to a war demand may be considerable, so long as shipping difficulties do not intervene to prevent supplies from being exported. Furthermore (though the point may not be of great practical importance at the moment) with price changes and currency changes simultaneously proceeding, the range of exportable articles may increase: for every increase in the world level of prices, relatively to the Indian price-level, alters the possibilities of export. Wheat, for instance, which may be out of parity at one level of prices, may become exportable at another. And even if the number of exportable articles does not increase, an increase in the export of a given article will affect the prices of articles which are (more or less as the case may be) substitutes for the commodity actually exported.

It follows from this that the total economic effects produced by rising export prices, directly and indirectly, may be considerable. The first rise of prices does not necessarily affect the position of the cultivator, unless he has reserve unsold stocks, for the current crop may already be in the hands of intermediary traders. But the effect of such increases, as they become known, is to stimulate the desire of the cultivator to produce more. If he is successful, there will be a two-fold influence on his cash income, a larger output and a higher per-unit-price. Even if the output does not rise, his cash income will go up as the consequence of higher unit-prices. So long as internal prices of the things which the cultivator buys do not rise in a still greater proportion, the cultivator's margin of free cash resources expands; it becomes easier to collect land-revenue and other dues and he will probably spend more freely. Thus, increases in the prices of exportable produce are to be welcomed, as a general principle.

Nevertheless, as the price-situation develops under the impact of war-conditions, the economic position as a whole becomes more complicated. For the very rise of prices which may improve the position of the cultivator may cause a deterioration in the position of those sections of the population who buy agricultural produce and have no direct interest in its sale. If high prices abroad coincided with a *relative* failure of an important food-crop, say wheat, a serious administrative situation might easily arise. It is not inconsistent with the general proposition that the rising export prices for raw produce benefit the cultivator, to limit the extent of that rise if thereby social discontent and a real loss of welfare can be avoided to other sections of the community. The extent to which it would be possible to compensate other sections of the Community by allowing wages or other elements of remuneration to rise will be examined in a later section of this Memorandum. Meanwhile, it is postulated here that it is not an illegitimate use of the powers of Government to intervene in the interests of the urban and non-agricultural sections of the community within the limits set out above. It must be borne in mind that what is being advocated is not a demand that the price of agricultural produce should be *reduced*, but that the rise of prices should be *halted* if thereby social discontent can be avoided. From the *practical* point of view, the importance of this limitation on rising prices is limited by the circumstances that it would, normally, apply only to foodstuffs.

But the second qualifying consideration is not so limited. When it cannot be avoided, even the interest of the cultivator must give way to the paramount interests of the State in the successful prosecution of War, and if it proves necessary to limit exports and thereby incur some sacrifice of potential money income, the sacrifice involved must be accepted as part of

the inevitable price paid for the existence of a state of emergency. It would be generally accepted that it would be ludicrous to sell supplies to the enemy, since thereby his resistance would be strengthened and victory might actually be snatched by the other side, and the same logic involves an acquiescence in export-controls, if these are imperative in the interests of supply. It may, however, be pointed out that the area of loss even if this general principle be accepted, is limited. The exigencies of War themselves imply a shortage of exportable produce in the world's international markets, and, though particular commodities may require retention, or partial retention in India, this does not apply to exportable produce in general. Nor is it the case that restriction of export necessarily involves a positive loss of income to the cultivator of the controlled commodity. On the contrary, some rise and perhaps a considerable rise, of prices is inevitable and that for a very simple reason. If cultivators are free to produce either commodity A or commodity B, the first controlled, and the second uncontrolled, then, unless the price of commodity A is also allowed to rise, the cultivator will naturally turn to the production of commodity B. Hence it follows that, even if it proves necessary to control the export of commodity A, the price paid by the controlling authority for such supplies as it needs of commodity A, will have to take account of the cultivator's propensity to turn to the production of the articles the prices of which are rising the faster and this limits the total loss which will in fact be involved.

14. *Conclusion IV.—Whilst it is undesirable, at present at any rate, to check the rise in agricultural prices which is in progress, there are certain general principles which require to be borne in mind in judging of the situation from time to time.*

As already explained in the previous section of this Memorandum, a rise in the prices of exportable produce is likely to exert an indirect influence on the prices of agricultural produce generally: partly by the diversion of acreage to the production of crops in particular demand, possibly by an increase in the range of exportable commodities. But the forces likely to result in rising prices are more numerous than those already alluded to. For insofar as war results in a stimulation of industry in general in India, there will be an increased demand, both for the raw materials required and for the foodstuffs consumed by the industrial population. Though it would be untrue to say that agricultural prices have remained consistently depressed since the "Great Depression" of 1930-32, it is the case that throughout the world, the real rate of interchange between the products of agriculture and of industry has favoured the producers of the latter rather than the producers of the former, and some readjustment of exchange relationship is therefore to be welcomed. Nevertheless, the relations between the interests of agriculture and of industry are complex, and their complexity inevitably affects price-policy.

If industry and agriculture were two self-contained, water-tight compartments of the economic life of the country, it would be right to assume that a rise of agricultural prices *vis-á-vis* of industrial prices would be a net gain to agriculturists. Every rise in the price of agricultural products would mean an increase in the real income of the cultivator, insofar as he spent the proceeds of his sales upon industrial products. But so simple an assumption obviously does not correspond with the facts. Every increase in raw material prices adds to the cost of production of industry and to the extent that the cultivator buys industrial products he loses by the rise in the price of finished products caused thereby. His losses in this direction are, of course, limited. A rise in raw material prices may be offset, in part, by a reduction in other elements of cost, such as are occasioned, for instance, by a generally greater volume of industrial activity. And, to the extent that higher prices are paid to the cultivator, whilst the finished products are consumed by non-agricultural section of society, the cultivators' gain remains unimpaired. Weighing these factors against one

another, it probably remains true that the balance of gain lies with the cultivating classes.

15. But the matter does not remain at this stage, if the rise of prices is at all prolonged. Increased industrial activity leads to increased industrial employment, with the possibility that as unemployment falls or short-time employment decreases, wage-rates increase. In any case, the additional purchasing power generated by additional activity increases total working class incomes and as they are spent, it is likely that the articles which are, consequentially, in greater demand, will rise in price. It is at this stage that the price and cost situation becomes critical. For it is at this stage that the oppositions of interest which are inherent in the situation may become acute and may lead to a vicious spiral of ascending prices and ascending costs: and then in turn to ascending costs and still further rises of price. The channel through which the opposition of interest may become manifest is industrial discontent. For, whilst it is true that agriculture is the leading economic interest of India, yet "secondary" employment arising out of agriculture is of great importance and the absolute volume of industrial and commercial activity is by no means insignificant. Given rising prices for foodstuffs and for the other products of the soil consumed by the non-agricultural population in conjunction with a growing scarcity of labour, the seed is sown for a demand for higher wages to compensate for an increase in the "cost of living". If this is acceded to, the prices of industrial products sold to the cultivator will rise, not only because raw material prices have risen, but because other elements in industrial costs will have gone up. The terms of interchange will then change to the disadvantage of the cultivator and though the difficulty of organising the agricultural interests may check a further rise of foodstuff and raw material prices in a compensatory direction, agrarian discontent may develop, because the rise of prices of industrial products will progressively diminish the advantage to the cultivator of rising prices for his own produce *and* because the effort of the various non-agricultural classes to adjust their relative economic interests will cumulatively add to all-round costs.

16. It is not suggested that the difficulties analysed above are of immediate significance, though they have to be taken into account in considering the long-term trend, especially if, as appears probable, the present war is of considerable duration. There is, it is true, one important proviso to be made, that is, that shipping difficulties do not intervene to prevent the export of raw produce; a serious check to the flow of exports would bring the rise of prices to an end. Should the rise of prices continue, however, there are other considerations, apart from the "vicious circle" of ascending costs and of prices which require to be taken into account. Prominent among these long-term considerations is the relationship between rising prices and increased productivity. Rising prices, it is obvious, act as a spur to the producer, but only so long (i) as the price of the product which he is selling is rising faster than his costs, so that the margin which accrues to him is widening, (ii) so long as there are unused margins of resources available which can still be brought into productive use. In recent years it has been possible to witness the extraordinary case of an entire national economy, *e.g.*, that of Germany, being brought to the limit of "capacity production". But though capacity-production for an entire economy is an almost unprecedented peace-time phenomenon (and, even in the case of Germany was probably only possible because of the diversion of man-power to the armed forces and the para-military organisations required by a totalitarian state) is not perhaps not so unusual during a war-economy, still less is "capacity-production" impossible when particular branches of production are under consideration. A single industry may easily reach the limit of physical capacity, especially in those cases in which the physical structure of plant and equipment with which it works is complicated and extensive in relation to the man-power involved. For in these cases it is not easy, especially under war-conditions, to provide the additional equipment without which an extension of production is impossible. The iron and steel industry is perhaps the leading case in

point. And though agriculture as a whole (especially in a country such as India, where in general, the amount of physical equipment per labour-unit employed is relatively small) may appear to be exempted, it remains true (*a*) that additional effort does not, according to a well-accepted generalisation, result in proportionate returns, (*b*) that there may be limits to the extent to which the production of a *single* crop, requiring special soils and aptitudes, can be extended under the stimulus of rising prices.

17. Even under such conditions of capacity production rising prices may have a legitimate justification, insofar as rising prices limit consumption. Nevertheless, it must be recognised that where the limit of productive capacity has been reached, a further rise of prices is bound to increase profits and that without evoking *any* response in the shape of further output. This is a situation which, in general, the consuming public intensely resents, and from the administrative standpoint, therefore, if it is deemed desirable to interpose obstacles to a further increase it would become necessary to decide whether the limitation of consumption *as such* would be a necessary justification for non-interference. A mere limitation by decree or ordinance of any further rise of prices would have the grave positive disadvantage that the gap between the supplies available and the amount demanded would actually widen, since the effect of keeping down prices is to stimulate demand. It would be found in practice that mere price-limitation would not suffice and that, in order to cope with the situation, resort would have to be had to other and more drastic measures, such as requisitioning and control over the amounts which individuals might acquire. But such further measures raise difficulties and problems of their own which are discussed in the following paragraphs of this Memorandum.

18. *Conclusion V.—It is inexpedient at present to make use of any powers conferring on Government the right to requisition, and such powers should only be utilized in the very last resort.*

It is generally agreed that there are circumstances which justify Government in taking over the available supply of a commodity and in distributing it on principles which involve a different allocation of what is available to that which would have obtained under the ordinary custom of purchase and sale. In a beleagured city or in a country faced with famine conditions, to allow free sale to the highest bidder would involve great suffering to those without the necessary means to buy what they need, and in default of any other solution, the requisitioning of foodstuffs, for instance, is accompanied by as equal a distribution as possible, though even in the case of foodstuffs allowance will have to be made for the special cases of children, invalids, those doing heavy work, etc. But, as has already been pointed out in connexion with the discussions of the doctrine of replacement cost, the position which has to be faced in an ordered economy bears no real analogy to the case mentioned above. The practical situation in India to-day is not that in which the distribution of a *fixed* supply has to be considered : it is a case where, in some cases, there is a limited but nevertheless continuing supply. This is true, even in the case of medical supplies *as a whole*. For whilst it is true that certain specialities imported from Germany will not be obtainable for the rest of the War, the possibilities of substitution, of importation from other countries and of manufacture in India still remain, and the fact that these possibilities do exist is an important circumstance which should be taken into account in weighing up the desirability of various courses of action.

The first danger attendant upon a requisitioning policy is that of the disappearance of existing stocks already in India. If a single Province alone were to requisition, the knowledge that it was doing so would spread at once to the rest of the country and stocks would melt by means of fictitious sales and the like. Thus effective requisitioning would have to be the result of a single simultaneous act throughout the whole of India and the fact that such action was contemplated could hardly be prevented from leaking out beforehand : again there exists the danger of wholesale evasion. Secondly, requisitioning even at current replacement price, would be some deterrent to further importation on private account, and, if the requisitioned goods

were sold at prices covering these costs, there would probably be an outcry against "government profiteering", whilst, if they were sold under cost, consumption would be encouraged and heavy financial commitments might be involved. If the goods were requisitioned at their original acquisition price (which under the circumstances imagined, would almost certainly be under the replacement cost) there would be no inducement whatever to import the commodity, or manufacture it, in future, and Government would thus, by its action, be imperilling the supply, instead of making that supply more freely accessible. Where there *is* absolutely no chance of any future supply, these considerations do not apply, but, as already pointed out, this is not the typical case. And even in the case where there is a fixed supply, the difficulties connected with distribution would remain.

Nor is it easy to discover what the proper principles of distribution should be. In the case of commodities like foodstuffs, it is not an excessively difficult matter to work to physiological standards of need, modified by special circumstances. But in the case of India there is no need to institute requisitioning or rationing for commodities of this kind. Requisitioning is demanded, if at all, for articles in *common*, but not necessarily in *every-day* use, such as iron and steel products or medical supplies. There the difficulties are much greater and there is a danger of a "black market" springing up in medical certificates, permits to buy, etc. The dangers of accusations of communal discrimination and of corruption of subordinate officials have further to be borne in mind. These difficulties, which it is to be noted, are likely to be cumulative, justify the most extreme caution and restraint in making use of requisitioning powers which inevitably imply some system of Government supervision over distribution as well.

APPENDIX.

1. In connexion with price control, a series of practical issues arise which are not strictly of an economic character, but spring from the facts of constitutional structure and legal definition. These are examined in the following paragraphs.

2. (a) *The definition of articles suitable for price control.*—The right to control "the prices at which articles or things of any description whatsoever may be sold" derives from Article 81 of the Defence of India Ordinance, which confers this, among other powers, upon Government "so far as appears to it to be necessary or expedient for securing the defence of British India or the efficient prosecution of the War, or for maintaining supplies and services essential to the life of the community". Provided, therefore, that the object for which price control is instituted in any particular case can be shown to fall within one or more of the three broad categories set out above, the authority of Government, in the sphere of price-fixing is unlimited, so far as the range of articles is concerned. In practice, however, the price-fixing activities of Government have been concerned primarily with "maintaining supplies and services essential to the life of the community". In the Notification No. 20-W., delegating price-fixing powers to Provincial Governments and Chief Commissioners, limitations were introduced inasmuch as—

(a) "The power shall only be exercised in respect of *necessaries* such as medical supplies, foodstuffs, salt, kerosene oil and the cheaper qualities of cotton cloth".

(b) "Imported commodities, other than medical supplies, salt and kerosene oil, shall not be brought within the scope of the orders without the previous sanction of the Central Government".

3. The relationship between "necessaries" and "articles and things", which are "essential to the life of the community" is clear: the greater includes the lesser. Thus, whilst all "necessaries" are essential to the life of the community, it does not follow that all things which are essential to the life of the community are "necessaries" in the technical sense in which that word is used in connexion with price-fixing. Even (which is clearly not the case) if the price-fixing authority were confined to "necessaries" it could cover a wider range of articles than those specified in the notification, and the list therein included was clearly intended by the wording to be illustrative and not exhaustive. So far as the legal position is concerned, therefore, it is obvious that the number of commodities which could be made subject to control is very much greater than those actually controlled at present.

4. But what it is possible to do is not necessarily expedient. The case for beginning with "necessaries" is obvious. It is the poorest classes of the population which most require protection against the exploitation of credulity and against temporary shortages: on the other hand, it is if the poorest classes of the population suffer from a sense of

injustice and oppression that the danger of unrest and disturbance of the peace is greatest. But every extension of the area of control brings more than proportionate difficulties with it, since the larger the field of control at any moment of time the greater will be the necessity for still further measures. The reason for this is obvious. At any particular moment of time a balance (never perfect and always liable to change) is maintained by means of the price-system between production in general and consumption in general, *and* between the various uses to which plant and equipment can be put as well as between the various directions in which income can be spent. Price-control represents an interference with this balance of forces. If a single article is controlled, the result is not only an alteration in the conditions under which *it* is produced and controlled, but an alteration in the conditions of production and consumption of other commodities, as well. If wheat is controlled, it is *not* the wheat market alone which is affected, but all grain markets. But the matter does not stop there. Since grain can be grown on soil which can also grow other crops, unduly low grain prices will lead to the production of substitute articles and *their* markets will be affected, and so on. The danger is that each measure of control will thus call into existence a whole series of ancillary measures. For this reason reluctance to extend the area of control is justifiable, even if no attention is paid to the administrative difficulties involved.

5. It is obviously impossible to settle the question of what should or should not be controlled by attempting to enumerate all the articles for which a *prima facie* case can be made out on the ground that they are either "necessaries" or "essential to the life of the community"; each case, for which the above qualifications are claimed, must be settled on its merits. The practical question is: what are the merits? It is easier to state the position negatively than positively. No article should be made subject to price control—

(a) which is subject to elastic supply conditions, so that a rise of price speedily evokes a rising supply,

(b) for which adequate substitutes in adequate quantities are available,

(c) which is not, directly or indirectly, consumed by the bulk of the population,

(d) which, if an imported commodity, is available from abroad in sufficient quantity at prices within the reach of the population, even though that price may be (in absolute terms) appreciably higher than in pre-war days,

(e) which is subject to such elastic demand conditions that any artificial check to a rise in its price is likely to create a growing disparity between the amount demanded and the amount available.

6. It is not suggested that articles and commodities which are *not* disqualified for control by the tests set out above should necessarily be subjected to control. For the reasoning set out in paragraph 4 above applies to the field of production as a whole and if it is accepted, warrants caution in all cases.

7. (b) *The division of the task of price-control.*—The principles which should govern the distribution of the work of price-control are simple and flow from the facts of the case. India is an economic entity, whereas the jurisdiction of each provincial government is confined to a definite sub-division of the country. Under these circumstances two or more provinces may pursue conflicting policies in respect of the same article, the more so as the immediate interests of consuming and producing provinces are not identical. It follows:—

(a) That where a commodity is largely produced in one province but is consumed in more than one province, "consuming provinces" must accept the price fixed by the producing province, if any. For, if any consuming province fixes a lower price, it runs the risk of being deprived of its normal supplies. The task of the Central Government in these cases should be mediatory rather than executive: the Centre may be able to reconcile differences of view which, as already suggested, are not improbable under the circumstances imagined.

(b) Where a commodity is produced in many centres and at the same time is widely consumed in all parts of the country, price-fixing policy should be in the hands of the Central Government, in order that unity of policy may be achieved.

(c) When it becomes necessary to regulate the prices of imported commodities, such regulation should be undertaken by the Central Government. This is necessary not only to secure uniformity of treatment at the various possible points of entry and in the interests of interior provinces but also to safeguard the interests of India as a whole *vis-à-vis* of foreign countries, for price-control may easily raise *quasi*-diplomatic (as well as economic) issues with which the provinces are not equipped to deal.

T. E. GREGORY.

NEW DELHI;

The 9th November 1939.

GIPD—L247 CD—9-12-36—300.

W 52-40-8

39

The reply to this communication should be addressed to the Secretary to the Resident in Mysore, Bangalore, by designation and not by name.

No. F. 193-39(5)/W.

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FROM

THE SECRETARY TO THE HON'BLE THE RESIDENT IN MYSORE.

To

The Chief Secretary to the Government of
His Highness the Maharaja of Mysore, Bangalore.

Dated Bangalore, the 23rd January *1940.*

Second Price Control Conference.

SIR,

I am directed to refer to my letter No.F.193-39(5)/W, dated the 5th January 1940.

2. The Second Price Control Conference will meet in the office room of the Hon'ble Member for Commerce and Labour - (Room No.113 in the North Block of the Imperial Secretariat Buildings) and not in the Committee Room "A" as previously proposed.

I have the honour to be,
Sir,
Your most obedient servant,

for SECRETARY TO THE RESIDENT.

W 52-40-9

The reply to this communication should be addressed to the Secretary to the Resident in Mysore, Bangalore, by designation and not by name.

Confidential.

No. F.193-39(5)/W. C 6277 41

FROM

THE SECRETARY TO THE HON'BLE THE RESIDENT IN MYSORE.

To

The Chief Secretary to the Government of
His Highness the Maharaja of Mysore, BANGALORE.

OFFICE OF THE ... SECRETARIAL
MAR 20 1940
865

Dated Bangalore, the 19th March *194*0.

SECOND PRICE CONTROL CONFERENCE.

SIR,

I am directed to refer to my letter No.F.193-39 (5)/W, dated the 23rd January 1940.

2. I forward for information a copy of a brief statement - as revised by the Economic Resources Board - of the conclusions reached at the Second Price Control Conference held at New Delhi on the 24th - 25th January 1940.

3. A printed summary of the proceedings of the Conference will be sent to you in due course.

For perusal in the first instance.
MK 19/3
(for Member)

MK 20/3/40
MK 20/3

I have the honour to be,
Sir,
Your most obedient servant,

for SECRETARY TO THE RESIDENT.

CONFIDENTIAL.

SECOND PRICE CONTROL CONFERENCE.

(Held in New Delhi on the 24th and 25th January 1940)

Conclusions.

Conclusion 1.

If and when price control schemes on any large scale are contemplated for any province or State, it is desirable to have a Chief Authority for Price Control to coordinate activities within the Province or the State concerned; it is further desirable to associate Advisory Committees with the Authority for Price Control, the advisory Committees being composed not only of officials but of representatives of various interests concerned with the question of price control.

Conclusion 2.

Having due regard to the limitations on the Provincial Governments under the powers delegated to them by the Government of India, specific powers may be delegated by them to the District Officers; other powers to deal with any situation that may arise being exercised by the District Officers only after reference to Governments concerned.

Conclusion 3.

That a basic list of commodities subject to price control be

Provincial control of retail prices must be based upon the prices lawfully charged in those markets. In exercising control of, or otherwise regulating, the prices in wholesale markets, the Central Government will consult the Governments of the Provinces and States mainly concerned withithe commodity which is to be controlled.

Conclusion 6.

There is no demand from the Provinces that the power to prohibit inter-provincial exports should be delegated to them.

Conclusion 7.

Conclusion 7.

A general desire was expressed that the power of requisitioning stocks should be delegated to provincial Governments. It was stated that the Government of India could not, at this stage, be committed to any positive statement in regard to this conclusion but they would take into consideration the views which had been expressed in the Conference on this subject.

Conclusion 8.

Note was taken of the fact that, primarily to study the operations of futures markets in jute and cotton for the present the Government of India had decided to appoint two officers as Price Advisory Officers; one for jute with headquarters at Calcutta and the other for cotton with headquarters at Bombay. Their primary duty would be to study the operations of the markets in respect of these commodities, and in particular the future markets, to investigate on the spot the movements of prices in these markets and to keep the Government of India constantly in touch with the activities of such markets. When the Government of India had gained sufficient knowledge through these Price Advisory Officers, if they felt that the stage had come when more direct intervention on the part of the Central Government was needed, any action that they might propose to take would only be taken after consultation with the Provincial Governments concerned.

Conclusion 9.

A strong plea was made that the import duty of wheat should not be touched at all. It was stated, on behalf of the Government of India, that it was quite impossible to anticipate the decision of the Government of India on this subject but that the Hon'ble the Commerce Member would convey the views expressed to the Government of India who would doubtless consider them very carefully.

)NCLUSION

CONFIDENTIAL.

SECOND PRICE CONTROL CONFERENCE.

(Held in New Delhi on the 24th and 25th January 1940).

Conclusions.

Conclusion 1.

If and when price control schemes on any large scale are contemplated for any province or State, it is desirable to have a Chief Authority for Price Control to coordinate activities within the Province or the State concerned; it is further desirable to associate Advisory Committees with the Authority for Price Control, the advisory Committees being composed not only of officials but of representatives of various interests concerned with the question of price control.

Conclusion 2.

Having due regard to the limitations on the Provincial Governments under the powers delegated to them by the Government of India, specific powers may be delegated by them to the District Officers; other powers to deal with any situation that may arise being exercised by the District Officers only after reference to Governments concerned.

Conclusion 3.

That a basic list of commodities subject to price control

be

be prepared and published by the Government of India in delegating powers to the Provincial Governments under rule 81 of the Defence of India Rules; that if any Province desired to make additions to this basic list it should make proposals to that effect to the Central Government.

Conclusion 4.

A Memorandum setting forth in some detail the implications of the recent movement in prices of primary commodities be -- prepared by the Economic Adviser to the Government of India and circulated to the Provincial Governments and States.

Conclusion 5.

That the control of primary wholesale markets or the regulation of prices in primary wholesale markets, as and when it is desirable, should vest in the Central Government, and that the control of the distributive agencies through the retail markets - which would include subordinate local wholesale markets - would ordinarily be exercised by the appropriate Provincial and State units. In exercise of the power, Provincial or State units would have due regard to the margins between wholesale and retail prices, the retail price in each ~~price~~ case being based on the relevant wholesale price whether the wholesale price is one in a market regulated by the Central Government or not. In respect of commodities for which there existed primary wholesale markets, Provincial control of retail prices must be based upon the -- prices lawfully charged in those markets. In exercising control of, or otherwise regulating, the prices in wholesale markets, the Central Government will consult the Governments of the Provinces and States mainly concerned withithe commodity which is to be controlled.

Conclusion 6.

There is no demand from the Provinces that the power to prohibit inter-provincial exports should be delegated to them.

Conclusion 7.

Conclusion 10.

Note was taken of the statements that the position of Chemdyes would be decided very soon and the distribution of the stocks held by them would be carefully considered in the light of suggestions made; that the question of dyes is an extremely complex one, and that the Government of India were awaiting the suggestions they had asked for from the Provinces and States regarding the method of distribution of available stocks to - handloom weavers.

"Copy"

SUPERINTENDENT,

Resident's Office.

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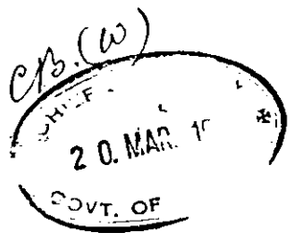
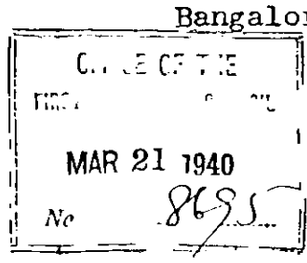
THE OFFICE OF THE HON'BLE THE RESIDENT IN MYSORE,

Bangalore, the 20th March 1940





No.F.193-39(5)/W

A copy of the undermentioned paper is forwarded to the Chief Secretary to the Government of His Highness the Maharaja of Mysore, Bangalore, with reference to paragraph 3 of letter from this Residency No.F.193-39(5)/W, dated the 19th March 1940.

By order, etc.,

For SECRETARY TO THE RESIDENT.

Subd
Member
Hon'ble Law Ter
20/3
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21/3
22/3/40
25/3

A resume of the Second Price Control Conference with Representatives of Provincial Governments and Indian States, held at New Delhi on the 24th and 25th January 1940.

A RÉSUMÉ OF THE
SECOND PRICE CONTROL CONFERENCE WITH REPRESENTATIVES OF PROVINCIAL GOVERNMENTS AND INDIAN STATES

Held at New Delhi on the 24th and 25th January 1940.

PRESIDENT :

The Honourable Dewan Bahadur Sir A. Ramaswami Mudaliar, Member (Commerce and Labour).

PRINTED BY THE MANAGER, GOVERNMENT OF INDIA PRESS, SIMLA.
1940.

SECOND PRICE CONTROL CONFERENCE.

Held at New Delhi, on the 24th and 25th January 1940.

AGENDA.

ituation in the different provinces and States.

Statements by delegates.

Questions pending—

(*a*) What machinery of control has proved itself most satisfactory ?

(*b*) Should there be uniformity in administrative machinery, with reference, in particular :—

(*i*) to the appointment of Provincial Price Controllers,

(*ii*) to the appointment of Advisory Committees,

(*iii*) to the delegation of powers to District Officers, etc.,

(*iv*) to the use of provisions of the law or of the Defence of India Rules other than Rule 81 of the latter Rules ?

2. *General Price Policy.*

Statement by the Economic Adviser on the development of prices since the outbreak of war.

Questions pending—

(*a*) Has the time come to widen the range of articles which are in practice subject to price-control ?

(*b*) Is there any necessity to revise the distribution of authority between the Provinces and the Centre ?

(*c*) Is it advisable to add to Provincial price-control powers authority (*i*) to prohibit exports from the Province, or (*ii*) to requisition stocks ?

3. *Special problems.*

(*a*) Grain shops as a method of meeting changes in the cost of living.

(*b*) Speculation in wholesale markets in relation to the level of prices.

(*c*) Dyes.

(*d*) Wheat.

PRESENT :

Government of India.

The Honourable Dewan Bahadur Sir A. RAMASWAMI MUDALIAR, B.A., B.L., Member of the Governor General's Executive Council.

The Honourable Sir ALAN LLOYD, C.S.I., C.I.E., I.C.S., Secretary, Department of Commerce.

*Mr. H. DOW, C.S.I., C.I.E., I.C.S., Director General of Supply.

Mr. S. N. ROY, C.S.I., C.I.E., I.C.S., Secretary, Department of Communications.

The Honourable Sir GUTHRIE RUSSELL, K.C.I.E., Chief Commissioner of Railways.

The Honourable Mr. A. DEC. WILLIAMS, C.I.E., I.C.S., Secretary, Defence Co-ordination Department.

Sir P. RAGHAVENDRA RAU, Additional Secretary, Finance Department.

Dr. T. E. GREGORY, D.Sc., Economic Adviser to the Government of India.

Mr. K. SANJIVA ROW, M.A., C.I.E., Joint Secretary, Finance Department.

The Honourable Mr. J. D. TYSON, C.B.E., I.C.S., Joint Secretary, Education, Health and Lands Department.

Mr. D. C. MEIK, Deputy Director, Administration, Department of Supply.

Mr. MOHAMMED ALI, Military Finance.

Mr. T. S. PILLAY, M.A., B.L., Deputy Secretary, Department of Commerce, and Secretary, Economic Resources Board.

Provincial Governments.

Madras.

Mr. H. M. HOOD, C.S.I., C.I.E., I.C.S., Adviser to H. E. the Governor.

Bombay.

Sir GILBERT WILES, K.C.I.E., C.S.I., I.C.S., Adviser to H. E. the Governor.

Khan Saheb H. D. WARDEN, Special Officer for Price Control.

Bengal.

The Honourable Mr. H. S. SUHRAWARDY, Minister, Department of Commerce and Labour.

Mr. K. G. MORSHED, I.C.S., Joint Chief Secretary to Government, Department of Commerce and Labour and Chief Controller of Prices.

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*Attended on the 25th January 1940.

United Provinces.

Dr. PANNA LALL, C.I.E., I.C.S., Adviser to H. E. the Governor.

Mr. N. C. MEHTA, I.C.S., Secretary, Industries Department.

Mr. M. H. B. NETHERSOLE, D.S.O., I.C.S., Secretary, Price Control Department.

Mr. D. P. MUKHERJI.

Mr. MANAWAR.

Punjab.

The Honourable Rao Bahadur Sir Chaudhri CHHOTU RAM, Minister of Development.

Mr. J. D. ANDERSON, C.I.E., I.C.S., Joint Chief Secretary to Government.

Mr. S. K. KIRPALANI, I.C.S., Secretary, Electricity and Industries Departments.

Bihar.

Mr. R. A. E. WILLIAMS, I.C.S., Controller of Prices.

Mr. B. N. SIRKAR, Senior Marketing Officer.

Central Provinces and Berar.

Sir GEOFFREY BURTON, K.C.I.E., I.C.S., Financial Adviser to H. E. the Governor.

Mr. D. V. REGE, I.C.S., Price Control Officer.

Assam.

The Honourable Maulvi ABDUL MATIN CHAUDHURY, Minister.

Mr. C. B. C. PAINE, I.C.S., Deputy Secretary to Government, Home Department.

North-West Frontier Province.

Mr. L. W. JARDINE, C.I.E., I.C.S., Revenue and Divisional Commissioner.

Orissa.

Mr. M. K. VELLODI, I.C.S., Secretary to Government, Development Department.

Mr. K. GOPALAN, M.A., B.Com. (Man.), Senior Marketing Officer.

Sind.

Mr. G. F. S. COLLINS, C.I.E., O.B.E., I.C.S., Secretary to Government, Revenue Department.

Delhi.

Mr. E. M. JENKINS, C.I.E., I.C.S., Chief Commissioner.

Indian States

Hyderabad.

Mr. AHMED MOHIUDDIN, Director, Commerce and Industries Department.

Mysore.

Mr. M. A. SRINIVASAN, Government Director, Industrial Concerns.

Baroda.

Mr. K. V. UPLAP, B.A., LL.B., Naib Dewan.

Travancore.

Mr. G. PARAMESWARAN PILLAI.

Gwalior.

Sir MANUBHAI MEHTA, C.S.I., Home Minister.

Wednesday, the 24th January 1940.

The President, in opening the Conference, stated that it was called in accordance with the suggestion adopted by the first Conference that the Government of India should convene these Conferences every quarter. The object of such Conferences was to review the position periodically regarding the working of price control schemes, to see how far they had been successful, where deficiencies had been found, and whether an examination of the problem would reveal solutions which were more in consonance with the requirements from time to time.

Since the last Conference, there had been considerable discussion both in the Press and by public bodies regarding schemes of price control. The majority opinion at the last Conference had been against control of the prices of agricultural products by any Administration for the time being and the Government of India were generally in accord with that view. The difficulties with reference to the working of price control schemes had been pointed out and it had also been suggested that it was desirable that accurate information should be given to the public and that the merchants should be warned of the consequences of a very sharp rise in prices which was not justified by either the principle of replacement costs or by shortage in supplies. The various reports sent by the Provincial Governments showed that many of the fears entertained by the Economic Advisers to Government with reference to the results of price control had been amply justified. In places where such control had been established, there had been a tendency for supplies to dry up, for supplies to go underground, and for the normal business of trade to be so dislocated that the consumer was worse off in the last stage than he was in the first. These difficulties emphasised the great need for caution.

It had been represented to the Government of India by commercial and trading bodies that there was no case whatsoever for fixing an upper limit or decreeing a maximum of prices for agricultural commodities. These bodies had contended that since during all the slump period, there

was no help given to the agriculturist for relieving the losses that he had to suffer on account of extremely low prices, it would be unfair if at a time when he was making some little profit he should be asked to sell at low prices. The President said that while he had very considerable sympathy with this point of view, at the same time he must point out that it was not correct to say that the Government of India tried to interfere only when there was a rise in prices and folded their hands and sat idly by when there was a slump. In the first place, in normal times the Government of India did not like to control prices. There had been periods before the war, between the last war and the slump, when prices of agricultural commodities did rise sharply. In 1924 and 1925 some of these products reached a peak which they had never attained before and the Government of India did not interfere at that stage. It had to be remembered that the present situation was not merely one of normal increase of prices but of increase of prices due to abnormal conditions brought about by the war and that made a great deal of difference to the question whether the Government of India should interfere with increasing prices or should not. In the second place, during the long period of slump, there were agricultural commodities whose prices had been considerably steadied and to whose producers considerable help had been given through action taken by the Government of India. Thus, for example, in the case of wheat, in the very first year of the slump a protective duty had been levied on the import of wheat, and since then to a greater or smaller extent wheat had been assisted by the protective duty that was levied. Again, in the case of sugar, not merely had it been treated as a protected article, but the growth and the development of sugar factories had been considerably advanced. The production of sugar that took place during the period of slump and the prices that were obtained for sugarcane were due to the beneficial action of the Government of India. Taking another commodity, raw cotton, the Government of India had been anxious to enter into trade agreements and trade pacts whereby an assured quantity of cotton could be exported with a view to benefit the cultivator. That was another means by which the shock of the slump had been to some extent absorbed by the activities of the Government of India. The Government of India did, however, recognise that the agriculturist had been having a bad time and their anxiety throughout, from the beginning of the war had been to see that he got a " fair deal " with reference to prices.

As the experience of various Provinces had shown that action to control prices under the present delegated powers, even by one Province as a whole, uncoordinated by similar action by other Provinces, had brought about a rupture of trade relations which did not secure the object in view, it had been realized by more than one Provincial Government that the time had come when, if price control policy was to be successfully carried out, a certain amount of coordination of the efforts of various Provinces should be brought about. More than one Government had suggested that the proper coordinating authority for the purpose was the Central Government. It was for this Conference to discuss how far this was appropriate and to come to a conclusion regarding the kind and extent of Central control or coordination which could meet the purpose in view.

Some Provinces had, however, been eager to control certain products and to leave unrestricted the price of other products. The President

pointed out how difficult it would be for Central coordination to be brought about under such circumstances. The wheat growing Provinces were anxious that the agriculturists in their Provinces should not be subjected to any restrictive influence and the price of wheat should be allowed to move up. The sugar producing Provinces were anxious that sugar should not be controlled but that any other commodity should come under control. It seemed to him that these very conflicting views must suggest their own solution, that is, if the object was to see that a very high and unreasonable level of prices was not to prevail and control was intended to benefit consumers as a whole, every Province had to realise its obligations with reference to those products which it produced. A successful form of price control could not be expected in any part of India unless every Province that produced any given commodity was prepared to come in and share in the responsibility of fixing prices of such commodities.

It had been suggested that the policy of coordination might be brought about by a scheme such as the following :—

At the primary stage, *i.e.*, at the stage of production and with reference to the prices ruling in the wholesale markets for some of the principal commodities, the Government of India or the Central authority would be the proper authority for limiting, should such an occasion arise, the price of such commodities. At the retail stage, the stage of distribution, the Provincial units and the State units would have complete freedom to fix the maximum prices ; such maximum prices would be fixed by the Provincial or State Governments on the basis of the wholesale prices that had been fixed by the Government of India. In those cases where the Government of India did not fix the wholesale prices, then so far as retail distribution was concerned, the provincial units and state units would take the wholesale price prevailing in the market and on that basis, allowing for traffic charges and for such profits for the middlemen as were reasonable, would fix the retail prices in the various markets.

The efficacy of the above suggestion lay in the fact that movements of prices in the wholesale markets would be unrestricted, or regulated on a uniform basis and there would not be a shortage of supplies as might be the case if the wholesale markets were affected by the uncoordinated action of individual Provincial Governments or States. But it did require a certain amount of information, and very detailed information too, as regards the cost of transport and the normal profits which might be allowed from stage to stage to the various dealers involved.

The President then recalled that the first Conference had almost unanimously negatived a suggestion that powers of requisitioning should be employed. The whole subject of requisitioning stocks bristled with difficulties. If the power of requisitioning stocks was not to be exercised, then price control had to be carried out in alternative ways and with a great many limitations. This did not mean that the Government of India were unaware of the political and other difficulties created by the rise in prices. Administrators in districts had been most unhappy over this sharp rise in prices in some cases. They had their own problems relating to law and order. With that aspect of the question considerable sympathy

was to be shown. But at the same time the economic consequences of uncoordinated action or even of hasty action in this matter had to be pointed out.

In conclusion, the President said that the powers of price control which had been given to the Government of India and which by delegation from the Government of India were being exercised by Provincial units were powers given by the Defence of India Act, and according to the preamble of the Act, it had to be borne in mind that it was the public safety and interest that must be the final thought in all measures that might be undertaken for that purpose. The very process of delegation involved a double responsibility, one on the Provincial Governments which were the delegated authorities, and one equally on the Central Government which, having delegated those powers, could not completely disinterest itself either in the manner in which those powers were exercised or the extent to which those powers were exercised. It was a delegated authority and therefore the ultimate responsibility still vested and continued to vest in the Government of India. That was one reason why such Conferences were being frequently convened by the Government of India, so that they might be satisfied that the powers that had been delegated were, on the one hand, ample and requisite for the purpose, and on the other hand that the powers so delegated were being used with due regard to economic factors and for the purpose for which they had been delegated.

The President then requested delegates to make brief statements as to their experience as to how far any action taken by them under the delegated powers had been successful in bringing about results and to what extent they had been able to take action under those delegated powers. The delegates were also asked to supplement the information contained in the reports of price control measures taken in the Provinces and States by any observations they liked to make.

Sir Gilbert Wiles (Bombay) said that the outbreak of war created panic in Bombay and prompt action had to be taken. The Government of India's notification delegating powers had served the immediate purpose. They had found it difficult to conform to the 10 per cent. maximum prescribed. Some of the recent measures taken were :—

(*a*) appointment of a Chief Controller of Prices in the City of Bombay with an Advisory Committee, and

(*b*) opening of cost price shops. It was premature to say what was the exact effect of these shops on the course of prices but they served to satisfy public opinion in some measure and to indicate the standard of prices in a general way. Supplies to cost price shops were obtained through a Committee of Expert Purchasers, and Government had aided them with a loan. The effect of the measures taken so far was undoubtedly to introduce a steadying influence on prices and to allay public fears.

Mr. Nethersole (United Provinces) briefly recounted the history of price control measures taken in the United Provinces and claimed that the initial executive measures had achieved the object of allaying public panic. He admitted that they might not conform to the laws of political

economy but they certainly served the immediate object of checking a sudden steep rise in prices. Recently, the United Provinces Government had appointed a Chief Controller of Prices to coordinate the activities of the various District authorities and had also organized an effective telephonic service connecting the leading markets, in order to give information about the price of various commodities. Some District Magistrates had made mistakes but in general the system had worked smoothly.

Mr. Williams (Bihar) had more or less the same story to relate as regards the effect of the executive measures taken by his Government during the opening weeks of the war and said that their main objective now was more to introduce a steadying influence on local prices than to fix maximum prices. They, as a consuming Province, had special difficulties and confined their chief activities to disseminate information about leading prices in leading markets and helping their District officers to see, with the advice of their Committees, that the margins between local prices and the wholesale prices were not unduly wide. In recent times prices had adjusted themselves and there were no complaints.

Mr. Ahmed Mohiuddin (Hyderabad) said that he had nothing much to add to the circulated summary and that the system which they had initiated, namely, broadcasting of weekly prices, and the formation of associations of merchants, to avoid the steep rise in prices, had worked fairly successfully. Quite recently they had introduced a system of certified grain shops which had agreed voluntarily to sell at certain fixed prices. The names of owners of these shops were broadcasted and that had a good effect on the market.

Sir Gilbert Wiles (Bombay) inquired whether they had standardized the commodities and, if not, how it was possible to detect adulteration.

Mr. Ahmed Mohiuddin (Hyderabad) replied that there were not many complaints about adulteration and he thought that the public had a fairly rough idea of the different qualities of cheap grains. He concluded by saying that the chief difficulties in the State were to obtain medicines and drugs and also dyes for the weaving industry.

Mr. Srinivasan (Mysore) said that the experience in his State was, more or less, the same as in Hyderabad and that their action in fixing the maximum prices of certain essential commodities had had a very salutary effect. Their difficulty also lay, at the present moment, in obtaining dyestuffs, but as regards drugs, their own Government now manufactured many of the essential drugs and sold them at reasonable prices.

Mr. Uplap (Baroda) said that they had not delegated any of the powers to the local authorities but they had established Advisory Committees of Traders in different areas. They had not received any complaints about any sharp rise in prices.

Sir Manubhai Mehta (Gwalior) said that during the first week of the war there was some trouble but the Committee which they had got together had controlled the situation and it was possible by persuasion to bring down the steep rise in prices. They had not had to take drastic action, as it had been reported to have been necessary in Bombay and Calcutta, but the situation steadied itself soon. As a State which was

not self-sufficient they found that their restrictive measures on the rise in prices had driven stocks out of the State. They tried to meet this contingency by levying an export duty on a sliding scale which had had some effect. Recently, they had also encouraged certain merchants to sell grains at moderate prices and Government had undertaken to subsidise them if any loss were incurred in the long run. They had also given to these merchants a loan of Rs. 20,000. He claimed that the measures they had taken in the State had worked successfully and there were no serious complaints.

Mr. Vellodi (Orissa) said that his Province had had similar experience to Bihar and the United Provinces, but they could not afford to appoint a whole-time Price Control Officer. They had asked the District Officers to convene committees of interested people to discuss prices and on the whole they had found that the steps which they had taken worked successfully. Their chief difficulty lay in getting accurate information about the movement in prices in Provinces on whom Orissa depended for its supplies.

Mr. Paine (Assam) stressed the need for uniform action among the Provinces in any scheme of price control and said that mere fixation of maximum prices had served either to drive stocks underground or to raise ill-founded hopes in so far as some wage earners in Assam were concerned who had been led to expect that the prices would go down and were disappointed when prices did not actually go down to the extent they had hoped.

Sir Geoffrey Burton (Central Provinces) had nothing spectacular to report and said that perhaps the Central Provinces was lucky in its geographical situation as action taken in the neighbouring Provinces prevented any serious panic breaking out in his Province. They had also worked on the system of delegation of powers to the District Officers and endeavoured to check a steep rise in prices by persuasion. Following the deliberations of the last Conference they removed food grains from the list of price control. In December last, prices began to shoot up and they had to restore food grains to the list of controlled articles. They had no big controlling markets in Central Provinces and had to depend on information about the trend of prices in other major markets in the neighbouring Provinces. They had set up recently an Advisory Board consisting of labour unions, the cultivators and merchants at Nagpur. They were also trying to persuade large employers to open grain shops. Like Orissa and Bihar, they would also appreciate an efficient central information service and he would, therefore, advocate the formation of a Central Bureau of Information under the Government of India.

The Hon'ble Sir Chhotu Ram (Punjab) said that his Province had a fairly quiet time on the outbreak of war and they were not compelled to take any spectacular action excepting that they had appointed a senior officer to watch the trend of prices and to administer judicious warnings. They fixed the margin between the price of wheat and *atta* at a certain figure. They had asked District Officers to convene local advisory committees and had themselves called for a meeting of employers who feared an agitation for an increase in wages. Generally speaking, there was no need for any drastic action in any direction in the Punjab and particularly with reference to wheat in which they were vitally interested.

The situation in wheat was not serious as the recent movement of prices had clearly demonstrated that there was no need for price control at all. He read out the quotations of wheat prices for a period of years and showed that wheat had not risen to a level which should cause concern to anyone. He also pointed out that the prices of other commodities on which the ordinary agriculturist depended in the Punjab had also risen and that was a very relevant factor to be considered before they talked of checking any rise in the price of wheat. He concluded by saying that for a number of years the wheat cultivator had been selling his produce at less than his cost of production and that the price of wheat had not risen to a level at which it could reasonably be said that he had made excessive profits. His Government was definitely of the opinion that no price control, at all, for wheat should be considered till the price of wheat at Lyallpur rose above Rs.5 per maund, other items of cost remaining the same.

The Hon'ble Mr. Suhrawardy (Bengal) narrated, at length, the action Bengal had to take soon after the outbreak of war to restore law and order and emphasised how the prompt police action which they had taken had prevented looting on a large scale. Delegation of powers under section 81 of the Defence of India Act came none too soon but they had taken, and, remained of, the view that powers to take such action were vested with Provincial Governments under other sections of the Defence of India Rules, *e.g.*, Rule 34. He claimed that the measures they had taken had more than served their purpose. They had appointed a Chief Controller of Prices, delegated powers to District Officers, formed committees in districts and had closely watched the trend of prices. They were not interested in doing anything that would drive supplies out or underground. In certain cases, *e.g.*, German medicines, there was no replacement cost at all and they had to follow some method. All they did was to fix a fair price which would allow reasonable profit to the retailer without, at the same time, driving stocks underground. He recognized that caution was necessary but claimed that constant activity was also essential to keep the situation under control. He explained briefly the special position regarding jute and said that the sudden rise in prices was largely due to the extraordinary war demand for sand bags suddenly made by His Majesty's Government at a time of short crop and that there was nothing to justify an alarmist view of the present position. He claimed that a situation had not yet arisen at which the control of jute prices would be justified.

Mr. Hood (Madras) said that his Province had perhaps reaped the benefits of being an isolated Province and had not experienced the same sudden rise in prices as Bengal and Bombay. They had not found the necessity of actually controlling prices in the early days. They had asked the District Officers to form advisory committees and to review the trend of prices, from time to time, and to suggest 'fair prices'. They were also broadcasting this information and, on the whole, the system had worked fairly successfully. The Province had its own special problems such as, the supply of dyes, which was imminent and probably, sugar, which was not so imminent. At the present moment, they had nothing to worry about the trend of prices in food grains. Rice had not shown any tendency to rise.

Mr. Collins (Sind) said that they followed the same watching policy as in Madras. They had advisory committees of leading merchants and public men and had broadcasted all the information they could gather about present price movements in leading markets, which had exercised a steadying influence. The Karachi Municipal Corporation had recently made certain proposals about opening cheap grain shops but had abandoned it. Their own special problem was getting an adequate supply of medicines and they were puzzled why the cheaper kinds of cloth still sold at a high level of prices.

Mr. Jardine (N.-W. F. P.) said that his Government had realized that they could not themselves effectively control prices but they had to meet an emergency situation and took some drastic executive action, etc. Their main object was not to fix prices at any maximum level but to check jumps. If that could be done they would be satisfied and they were working, at the present moment, through delegation of powers to the District Officers who were also authorized to form advisory committees. He concluded by saying that his Province was mainly an importing Province and that he was there to learn about what other Provinces were doing.

Mr. Jenkins (Delhi) said that he had nothing much to add to the summary already circulated except to say that he had recently arranged for the publication of a daily statement of fixed prices for certain kinds of foodstuffs. They took the basis of wholesale prices in the neighbouring major markets, allowed sufficient margin for their transport and distribution in Delhi and fixed the permissible prices in the statements they published daily. In this connection, he drew attention to a possible defect in the delegation made by the Government of India under section 81 and said that for an importing Province like Delhi there appeared to be a gap in defining the authority and the method for fixing prices at the primary stage. It was pointed out that when clause (*c*) was amended, the necessity of amending clause (*d*) might be examined.

The Hon'ble Sir Alan Lloyd rose to make two observations which might answer the points raised by certain speakers who preceded him :—

(1) The Bengal Minister had referred to the unreality of having recourse to replacement cost in cases of German medicines which were not in fact replaceable during the war. They had had such a problem to solve in disposing of enemy stocks and they had come to the conclusion that a sufficiently reasonable basis for arriving at the market prices for such enemy stocks was to work out what might be termed 'notional' replacement cost on the basis of the market price of comparable commodities which continue to be sold in the markets.

(2) Referring to the point raised by Mr. Jenkins he was under the impression that the importing Province was not compelled to fix the prices at the primary stage but admitted that the point needed examination.

The President said that as the question had been raised about the appropriate rules under which these powers could be exercised and as the Hon'ble Mr. Suhrawardy had suggested that Rule 81 was not the only one but that the Provincial Governments could also act under

Rule 34, he would request Mr. Williams, who had been mainly responsible for the drafting of the Defence of India Bill, to explain the position.

Mr. A. deC. Williams said that from a strictly legal point of view it was held that as specific provision existed in Rule 81 for controlling the prices of commodities, resort could not be had to the wider powers conferred by Rules 34 and 38 and still less so, to the extremely wide powers in Rule 132. Apart from the legal point it was made clear by Government spokesman in the Legislative Assembly that these wide powers would not be used in cases where specific powers had been conferred by other sections. He would add that as it was considered that uniformity was essential in matters covered by Rule 81, authority was vested in the Central Government alone. It would be observed that in other matters concurrent powers were vested in the Provincial Governments.

There was some discussion about the interpretation of these Rules of the Defence of India Rules and **the President** said that the matter should be further clarified in consultation with the Central Government's legal advisers.

The President said that they had had a full and exhaustive discussion on actual conditions in various Provinces, and as was expected opinion had not been uniform on the need for any price control at all or given control, on the machinery by which that price control should be carried out. The questions that were raised by the agenda before the Conference were that price control might be found necessary, and, if so, what machinery of price control had proved itself most satisfactory. The next question was, should there be uniformity in administrative machinery, with reference in particular, (*i*) to the appointment of Provincial Price Controllers, (*ii*) to the appointment of Advisory Committees. It seemed to him from a review of the statements that had been made by the various delegates, that in most Provinces there was a Controller of Prices to whom was attached an advisory body, called the Provincial Price Control Committee, which consisted partly of officials but very largely of commercial men who had special knowledge of conditions of prices of foodstuffs and other things. He might, therefore, put it as the recommendation of this Conference that " if and when price control schemes on any large scale were contemplated for any Province or State, it was desirable to have a Chief Authority for Price Control to co-ordinate activities within the Province or the State concerned ; that it was further desirable to associate Advisory Committees with the Authority for Price Control ; the Advisory Committees being composed not only of officials but representatives of various interests concerned with the question of price control ".

The President next referred to item 1 (*b*) (*iii*) of the Agenda (delegation of powers to District Officers) and said that it raised important issues, as some of the difficulties that had been described were due to the fact that certain District Officers who had been delegated powers acted without realising to what extent such powers could be used and how the exercise of such powers would react on the general economic position.

Dr. Gregory urged that this problem should be examined very closely as it was one of enormous importance if any price control scheme was to work effectively or smoothly. It could easily be seen what administrative anarchy would result if each officer were allowed to act in this admittedly complex matter without Central direction and guidance. He also thought that certain uniform principles should be laid down for guidance as applicable to any price control scheme all over India.

Sir Gilbert Wiles (Bombay) said that they had not actually delegated powers to the District Officers nor to the Price Controller. All that they had done was only to empower District Officers to nominate committees. They fully realized that uniform direction and guidance was essential.

Dr. Panna Lall (United Provinces) said that they realized the importance of uniform and Central guidance but thought that delegation of powers to District Officers was necessary. They had actually delegated full powers to District Officers as local conditions differed and found that though certain officers had made mistakes, the effect in the long run was satisfactory. They realized, however, that it was very important to secure uniformity and they had, therefore, recently appointed a Chief Price Controller and organized a fairly adequate marketing intelligence service, etc.

Mr. Williams (Bihar) said that they attempted to control prices, chiefly by indirect methods such as the circulation of information about prices, etc. ; but they had had to give discretion to District Officers to act when the disparity between wholesale and retail prices was wide. It was true that certain District Officers were quick in using magisterial powers but the system worked on the whole satisfactorily. With reference to certain points raised in the discussion the Legal Advisers to the Government of Bihar had held the view that rule 126 had given them powers to seize stocks, etc. They were also acting on the view that under rule 81 (2) (*e*) they had full powers to licence wholesale dealers, to register them and demand information about stocks held, the price at which they were sold, etc. He had mentioned before that they would very much appreciate an efficient marketing service and one aspect of the problem that had arisen was whether the prices fixed as the maximum should be allowed to remain unchanged even when the prices fell.

Mr. Vellodi (Orissa) agreed that uniformity both inside the Province and among the Provinces regarding the policy of price control was very essential.

Dr. Gregory said that no one would dispute that matters of detail, which would vary according to local conditions, would have to be settled by local officials but it was very important to recognize certain major limitations as universally governing delegations of power, if any. Firstly, he would say that as regards " police " powers no District Officer should exercise them at his own discretion. He would even go to the extent of urging that as an instrument of price control they should not be used at all. Secondly, as regards the question of requisitioning of stocks he would say that no District Officer should be allowed to use these powers without previous reference to the Chief Con-

troller of Prices at the headquarters of the Province. Thirdly, certain well-known simple general principles governing the policy of price fixing, as for example, " replacement cost.", should be accepted as applicable to all.

The President said that any unenumerated power of delegation to District Officers might lead to chaos. Therefore, it was that they should know exactly what were the powers which District Officers could exercise and he would suggest further that apart from the control of retail prices, the power to control wholesale prices should be exercised by the district collectors only after previous reference to the Price Controller. That would ensure that the exercise of the powers was within the limits of the law and also ensure that district collectors did not utilize their own special idea as to how price fixation could be made. A preliminary reference to the Price Controller should be made in any case in which the district authorities wanted to exercise any powers not specifically delegated to them.

The general sense of the Conference, he took it, might be recorded as, that having due regard to the limitations on the Provincial Governments under the powers delegated to them by the Government of India, specific powers might be delegated by them to the District Officers ; other powers to deal with any situation that might arise being exercised by the District Officers only after reference to Governments concerned.

ITEM 2 (*a*).—*Has the time come to widen the range of articles which are in practice subject to price control ?*

The President said that he would illustrate the position that had arisen by explaining what happened in the United Provinces. The price of silk ribbons went up sharply. The shoe makers in Agra complained to the District Collector and it was contended that the work of the shoe makers could not be continued until the price of this article was reduced. The United Provinces Government issued a Gazette Extraordinary controlling the price of silk ribbons. In a consideration of this problem the question really was whether the article in question was essential to the *life* of the community. If it was, he added, he did not think himself that any commodity of that kind should be excluded from that interpretation, even though it was a wide one. A particular industry might be interested in the raw product of that industry but it might have nothing to do with sustenance of the community though it might have a great deal to do with the economic life of a particular industry. Should price-control extend to articles essential to the life of an industry or be confined to those necessaries for the sustenance of a community ? In considering this question it should be remembered that it was not possible by any legal interpretation of the rules to justify the meaning which was intended to be conveyed by orders if any. They had really to go back to expediency and commonsense.

Mr. Morshed (Bengal) said that at the last Conference the general sense was that no new article be added to the list without previous reference to the Government of India and he did not know how it happened that the United Provinces had added certain new items.

The President said that the proposal that had been made was that a basic list of commodities subject to price control be prepared by the Government of India and that no addition to the basic list be made by any Provincial Government without the prior consent of the Central Government.

Dr. Panna Lall (United Provinces) said that it seemed to him better to leave certain discretion to Provincial Governments.

Mr. Williams (Bihar) suggested that his Government would like 'yarn' to be added to the list if it were revised and they attached considerable importance to it as the aboriginal tribes in Chota Nagpur bought yarns for their own use and not cheap cotton cloth.

The Hon'ble Sir Alan Lloyd suggested that the problem which troubled Bihar seemed to be the question of controlling differential margins between wholesale prices in the producing Provinces and the wholesale prices in Bihar. It was suggested by **the President** that if the problem was a special one for Bihar a suitable method would be for Bihar to consider supplying subsidized yarn for the aboriginal tribes at Chota Nagpur.

The Hon'ble Mr. Suhrawardy (Bengal) suggested that articles like dyes and yarns could only be controlled by the Centre, and that as they were essential commodities to the very life of certain industries which supported large sections of the population, the Central Government should seriously consider the steps necessary for putting that industry on a stable basis.

To an inquiry as to how the Central Government proposed to give effect to the suggestion that a basic list be prepared, etc., the **Hon'ble Sir Alan Lloyd** remarked that the method would be to revise their notification delegating powers amplifying the illustration given to such an extent as to make the list in the notification itself almost exhaustive. This could be done, he added, in the light of experience gained so far. The scheme as thus explained was agreed to as suitable.

The President summed up that the conclusion of this Conference on this issue might be recorded as being that a basic list of commodities subject to price control be prepared and published by the Government of India in delegating powers to Provincial Governments under Rule 81 of the Defence of India Rules; that any addition to this basic list be not made by any Provincial Government without the prior consent of the Central Government.

Thursday, the 25th January 1940.

Statement on Kerosene and Petrol prices.

The President said that before he took the next items in the Agenda he should like to make a brief statement with regard to Kerosene and Petrol. Delegates were aware that with regard to petrol and kerosene the price at the primary stage, *i.e.*, import or production, was regulated by the Government of India. At the last Conference, he had given some of the reasons which influenced them in allowing a rise in the prices of both these commodities. Since then a further rise

had taken place and he would state the circumstances under which these prices were allowed to be raised by the Government of India. The petrol and kerosene market before the war was worked on an international zoning basis. The Burmah Oil Company, Standard Oil Co., Caltex, etc., formed a combine, zoned the markets and fixed the price among themselves. It was considered wasteful to allow the Standard Oil Company to transport oil to India or to allow the Burmah Oil Company to transport oil to Europe or America. Therefore, they came to an agreement that to avoid unnecessary freight charges and also an increase in price, prices would be averaged, but the oil produced nearest the area of consumption would be supplied to that area.

That was the arrangement during peace time and they wanted to continue it after the outbreak of the war also. The result would have been that prices would have been regulated by what was termed the " Gulf Parity price " because the American oil price dictated the price for the whole world. Also, the dollar had appreciated in terms of the rupee and therefore the American or Gulf Parity price would have meant a step rise in the price of kerosene and petrol. The oil companies proposed that as during the peace period they had arranged this pool scheme and worked it for the benefit of the consuming population, during war time also, the same arrangement should continue. At a very early stage the Government of India felt that that was a proposition which they could not possibly accept during war time. They made it clear to the oil companies that they would not be parties to any arrangement by which the Gulf Parity price would be charged for oil consumed in this country. But that did not end their difficulties. If all the Indian requirements could be supplied by the Burmah Oil Company the problem would not have been serious. But they found that a good part of the oil and petrol would have to be imported from outside, *i.e.*, from areas which were under the control of the dollar system and therefore, the price would have to be on the Gulf Parity basis so far as these imports were concerned. They had two alternatives, either to restrict the supplies to the Burma field, which would meet only 50 or 60 per cent. of their requirements or to make it possible for the rupee price of the balance of the oil which was imported from areas which were under the control of the dollar system to be affected by Gulf Parity. After consideration and consultation on several occasions, the following arrangement was made :

Burma oil could be supplied at prices not affected by the dollar exchange, etc., but as it could not supply the entire Indian demand, foreign oil had to come in at the increased Gulf Parity price. In the same market two prices could not rule ; the Burmah Oil Company therefore, proposed (other Companies agreeing) that they were prepared to pool the entire oil, calculate the price for that portion of the oil which came from Burma under the normal rupee rate ; to value that portion of the imported oil which depended upon the dollar at the appreciated dollar prices ; and then to arrive at an average price. The resultant would be not a steep rise as might be expected if the Gulf Parity price were universally applied, nor the low price fixed for Burma oil. It would be a mean between the two. The Government of India accepted this proposal and stipulated that the price of the oil so fixed should not be varied during a period of six months once it had been fixed. At

the end of six months there would be a recalculation and if the cost of production etc., for the Burma oil and Gulf Parity for imported oil demanded a revision it would be done after the six monthly period.

This arrangement did not, however, apply to inferior oil. He had mentioned that about 55 per cent. of the imported superior or white oil was produced by Burma, the rest being imported from the dollar exchange countries. But with regard to inferior or red oil 95 per cent. was produced by Burma and a very small fraction was imported from abroad. The Government of India, therefore, saw no reason why the red oil price should be increased ; or if increased at all, they considered that it should be on the basis of a pool being established for inferior oil separately, the price being made uniform for the whole of the supply. If they agreed to the pool basis the increase would be small and not more than 1 or 1½ annas for a unit of eight gallons. He felt that inferior oil should be kept as low as possible and that was why Government turned down the suggestion made by the oil companies that the difference between the superior oil and the inferior oil which had always been 8 annas for a unit of 8 gallons should be retained and therefore that the price of red oil should rise along with superior oil so that the differential factor would be constant. They did not agree to that and said that they would consider a revision if called for on the basis of a pooled price for inferior oil.

Wheat.—In turning to the question of wheat, the President said that at the Wheat Conference held in the previous week at Lahore the Governments of the wheat producing Provinces were represented but the wheat consuming Provinces were not represented. The Government of India represented their point of view or at any rate they acted merely as a *rapporteur*. The general conclusions reached at that Conference were as follows :

(1) Having regard to the interests of the agriculutral classes, no control of wheat prices in the various wholesale markets was at present called for.

(2) (*a*) If at any time, such control should become necessary, the appropriate agency for exercising such control was the Central Government upon whom it would fall to decide, in consultation with other Governments concerned, what form the control should take.

(*b*) The majority opinion was that even when a steep rise of prices took place in the wholesale market, which was regarded as likely to be temporary, it might be left to adjust itself.

(3) Retail price control, if undertaken at all, must be an issue for Provincial and State Governments and must only be administered on the basis of the prevailing wholesale prices.

Statement by the Economic Adviser on the development of prices since the outbreak of war.

Dr. Gregory began by explaining that hitherto the Index Numbers of wholesale prices which were being issued by the Government of India to the Provinces and States had been based on the September 1931 base, when the greater part of the world went off the gold standard. That base had been adopted as it was considered desirable to

follow the Bank of England in this matter, which, for the last six or seven years had been publishing a weekly index number of primary commodities in Great Britain and the U. S. A. After the outbreak of the War, the Bank of England had changed their base to that of August 1939, and the Government of India thought it desirable to follow suit and to issue an index number with the same base as that adopted by the Bank of England. They had already communicated to the Provinces their intention of supplementing the old index number by a new index number based on the Bank of England's August 1939 base. He next drew the attention of the Conference to the charts he had prepared and said that the inferences he would suggest as could be drawn were :

(1) One group of commodities, namely, ' other agricultural commodities ', that is, cotton, jute and linseed, was entirely out of line with the general development of prices in India. In main, it was due to the special conditions affecting the commodities in question, and one was inclined to argue either that this price curve was bound to follow the general level of commodities or that special reasons were at work. Unless there was reason to suppose that these special conditions would continue, it seemed almost inevitable, that the trend of these " other agricultural commodities " would tend to follow the general trend and a further fall in prices of this particular group could be expected.

(2) Another chart showed the development of British Indian and American prices of commodities. It indicated that the general upward movement of Indian prices had been more rapid than had been the case either in the United Kingdom or in the United States of America. That was due almost entirely to the abnormal developments of the cotton and jute situation. What was important was that the general tendency in all the three countries in recent weeks had been to flatten out prices; in other words, the recent general development of the price situation in India, whether desirable or undesirable, was in line with the developments elsewhere, because in spite of the War, the underlying economic factors still tended to be the same all over the commercial world.

(3) Another chart which compared the 1939 with the 1929 price levels showed that in November and December for the first time in ten years, the curve of food-prices for 1939 cut the line for 1929, which led one to suppose that, if wages in any particular industry had already been adjusted to 1929 prices no injustice had been done hitherto if further increase had not been granted. Cereals were still below the 1929 level, sugar was about the same. Other food articles were on the 1929 level. Jute and jute manufactured articles were above that level. Cotton was just getting up to it and the price of cotton manufactures was also roughly in the direction of cutting the 1929 price level. It was very important to realize that, in spite of the indignation which had been expressed about the recent rises in prices, prices were still, in spite of the War, not appreciably above what they were ten years ago.

Mr. Mehta (United Provinces) asked whether any statistics of wage levels could be given. **Dr. Gregory** answered that there were no reliable statistics of wages but he would try to collect all the information available and examine what help could be given in that direction. In the

discussion that followed, the representative of the United Provinces desired that wages index should, if possible, be prepared on the basis of conditions in major industrial towns. **Mr. Srinavasan** (Mysore) remarked that Dr. Gregory's conclusions would not help those who contended that wages had adjusted themselves to a low cost of living and when prices rose there was therefore a fall in real wages. **Sir Gilbert Wiles** (Bombay) also emphasised this aspect of the problem and said that though Dr. Gregory's conclusions were entirely acceptable they would be faced in actual administration with a demand from labour which would stress the fall in real wages. Labour had now become much more vocal than in 1929 and they would simply refuse to be put back to the 1929 level. About 50 per cent. of their wages represented their expenditure on food and a fall in real wages, it should be admitted, would hit them very harshly. What made the position difficult was that the millowners in Bombay were prepared, in fact, to concede the claims of labour and were actually considering the question of raising wages, largely, it was true, to avert strike which they could not afford to face at the moment. **Dr. Gregory** remarked that the problem of real wages was quite a different one : adjustment of money wages to rising prices raised the whole series of issues which he had indicated as the " vicious spiral " in the memorandum on price control that had been circulated to Provinces. **The Hon'ble Mr. Suhrawardy** (Bengal) endorsed the remarks of Sir Gilbert Wiles and said that the problem of labour demand for higher wages was bound to arise and if it arose it must be faced. Any suggestion that it was not justified on the basis of 1929 price level would not satisfy modern labour which was hard hit by the fall in real wages. The **President** said that there was apparently some misapprehension of what Dr. Gregory had intended to suggest which was merely the undoubted fact that prices had not risen beyond the 1929 level and if wages had been revised on the basis of 1929 price level there were no economic grounds for any general increase in wages. Obviously, there were a number of other considerations. If a particular industry as for example, jute and textiles, were reaping increasing profits on account of war business there was admittedly a fair basis for labourers employed by those industries demanding more wages. The discussion had revealed the need for more amplified information on the series of charts presented by Dr. Gregory, who had agreed to prepare a memorandum setting forth in some detail the implications of the recent movement in prices of primary commodities, which he would have circulated to Provinces and States.

Sir Gilbert Wiles (Bombay) suggested that the memorandum promised might go into some detail with reference to conditions in India specially in regard to the payments in kind which were usually made to agricultural labourers as distinguished from money payments. **Mr. Hood** (Madras) added that the problem might be also examined or stated on a Provincial basis as distinct from an all-India basis. He would also mention incidentally that for a large number of labourers, even though rates might not have changed there would not be 1929 earnings as they might not have been employed in or been continuously employed from that year onwards. **Dr. Gregory** said that he would bear in mind all the suggestions and limitations made. He would however point out again that relevant statistics in India were extremely

unsatisfactory. But he would try to give as complete a picture as he could:

ITEM 2 (*b*).—*Is there any necessity to revise the distribution of authority between the Provinces and the Centre ?*

The **President** said that he could not state the proposal that had been expressed in this connexion better than in the terms of conclusions 2 and 3 of the Wheat Conference which he had referred to earlier and would appreciate, if during the discussion, some idea, *inter alia* as to the definition of wholesale markets and the extent to which the Central Government would be justified in controlling prices in the wholesale market could be given. **Sir Gilbert Wiles** (Bombay) thought that the proposals made should be suitable ; it was important that there should be uniformity in *policy* and, to the extent possible and desirable also in *methods* among Provinces. Some further information was asked about the exact method to determine the various stages. It was explained that, roughly, the stage at which the produce comes to be disposed of from the hands of the actual cultivator might be called ' the primary wholesale stage ' and this should be the stage at which regulation by the Centre was appropriate. All later stages which involved the process of the produce reaching the actual consumer could be called the distributive stage, prices being then regulated by the Provinces.

Mr. Mehta (United Provinces) said that he found it still difficult to follow how the Centre would work the scheme that had been suggested. In India there was no single economic region and a single wholesale market and it might not be in practice possible to say what price of what market should be taken as the wholesale price for purposes of control. If, for example, a mere list of various markets were made and prices for them suggested articles would shift from them to the other markets that were not till then markets of any importance. It was true that there were some major markets, in wheat, for example, but new markets might develop where even wheat could move. On the whole, he was inclined to believe that the Provinces would be in a better position to undertake this task.

Mr. Williams (Bihar) said that in so far as the wholesale markets were influenced by speculation, the suggestion that the Centre should control it was a very good one.

There was some discussion on the practicability of defining wholesale markets and the feasibility of the Central Government regulating prices in those markets ; even if regulation were feasible its effectiveness on the course of retail price levels was doubted.

Mr. Ahmed Mohiuddin (Hyderabad) asked whether reference was to all produce or only to certain grains. It was answered that it was to all produce. Some speakers doubted whether the problem of determining the wholesale markets for the centre to regulate would be as easy in the case of commodities as rice, jowar, bajrie, etc., as it might be for

jute, cotton and wheat. **The Hon'ble Sir Chhotu Ram** (Punjab) said that it would not present insuperable difficulties as the method should be to determine a basic market, as, for example, Lyallpur for wheat, and to work out figures on that basis. **Mr. Jenkins** (Delhi) agreed and said that distinction between primary wholesale markets and secondary wholesale, e.g., Lyallpur and Delhi for wheat, should be practicable and that the method suggested by the Government of India would be suitable.

The President said that he had better clarify the position. In the first place he would observe that there ought to be no misunderstanding on the part of any of the delegates that the Government of India wanted to precipitate action with reference to any of these agricultural commodities. The discussion had made it fairly clear that for the time being at any rate, with respect to most of these agricultural commodities, there might not be any necessity for the control of prices. The discussion pointed to the conclusion that owing to isolated action by Provinces or States there had grown up a certain amount of confusion in the markets and certain undesirable consequences had followed from such isolated action. The remedy discussed had been suggested only to meet that contingency. For one thing, the marginal profit in the retail trade could be controlled at reasonable levels by the various Provincial Governments. They could be controlled whether the wholesale market was controlled or not ; and the idea was that while the wholesale market might be controlled from the centre at the primary stage, the machinery for control at the distributive stage would be really in the hands of the Provincial Governments, and it ought to suffice for checking any unreasonable speculation in individual centres. If they left it merely at that stage and did not say anything about the possibility of control of primary wholesale markets, then there was obviously a gap in the whole scheme of price control. Therefore, it was necessary to arm somebody with powers in this direction, so that those powers might be exercised if and when it was necessary to do so. Those powers might take the form of actual price control, or they might take alternative forms whereby a ring of speculators operating in the wholesale market might be broken up by appropriate action. Such action, it was considered, and it appeared the majority of delegates agreed here, could only be taken by the Centre with the resources at its disposal by way of tariffs, by way of arranging for shipments and by way of other action. He did not mean to say that they had got a complete or specific solution for all these problems, but they would do their best in this matter. And therefore, to sum up the results of this discussion, it would be somewhat on the lines which had been adopted at the Lahore Conference, *viz.*, that the control of primary wholesale markets or the regulation of prices in primary wholesale markets, if and when it was desirable, might vest in the Central Government ; and that the control of the distributive agencies through the retail markets—which would include local wholesale markets—would vest in the appropriate Provincial and State units. In exercising control of or otherwise regulating the prices in wholesale markets, the Central Government would consult the Governments of the Provinces and States mainly concerned with the commodity which was to be controlled.

ITEM 2 (*c*).—*Is it advisable to add to Provincial price control powers authority* (i) *to prohibit exports from the Province, or* (ii) *to requisition stocks ?*

Chairman : Item (*c*) is a somewhat minor item. Are there any delegates who feel that this power to probihit inter provincial exports should be delegated to the Provinces ? There was no demand for the power to be delegated.

Sub-item (*ii*).—The position, the President explained, was that at present, no Provincial Government had legally, as he understood it, the power. The question was, was there any demand from any quarter that that power should be conferred. He was advised that that could be done under rule 81. Almost all the representatives from the Provinces said that they had acted under the impression that they had the power and added that if they did not have the power it was very necessary to have such a power. **The Hon'ble Sir Chhotu Ram** (Punjab) thought that such power was an essential corollary to the power to control prices. **The Hon'ble Mr. Suhrawardy** (Bengal) said that he thought that the Defence of India Act had conferred already such power on Provincial Governments and if not, he considered that it was essential to have it if the Provincial Governments were to discharge their own responsibility for law and order. **Sir Gilbert Wiles** (Bombay) and **Mr. Hood** (Madras) said that no necessity to commandeer stocks in their Provinces had risen but they did not see any objection to such a power being conferred on the Provinces.

The President said that in the light of the discussion he would say the general desire of the Conference was that the power of requisitioning stocks should be delegated to Provincial Governments. He could not commit the Government of India, at that stage, to any positive statement in regard to this conclusion, but the Government of India would take into consideration the views which had been expressed on this subject.

ITEM 3 (*a*).—*Grain shops as a method of meeting changes in the cost of living.*

The President said that this item was adverted to to some extent by some of the delegates in a previous discussion. Were there any supplementary remarks ? Information of interest would be how far co-operative stores had been useful in this respect.

Sir Gilbert Wiles (Bombay) regretted that he could not give any definite information about co-operative stores and said that he feared it would be premature to draw any definite inference from the cost price shops they had started. As he had remarked before, their main effect was psychological and one could perhaps add they actually served to bring down the level of retail prices.

Dr. Panna Lal (United Provinces) explained that they considered the proposition sometime ago but abandoned it. There was, however, a proposal by the Employers' Association at Cawnpore to start some grain shops. They found that the workmen themselves were not very

keen and that Government realized that in a city like Cawnpore where about 50 per cent. of the population were either labourers or their dependants and where about Rs. 45 lakhs was spent on food it would considerably dislocate the normal trade of Cawnpore. It was, therefore, thought that it would be inadvisable for Government to undertake any such enterprise. He agreed, however, that it was a useful weapon to have in the hands of Government. **Mr. Williams** (Bihar) said that his Government could not afford to open any grain shops. They were therefore considering only the system of licensing some shops.

At the President's suggestion, **Mr. Dow** gave a short account of his experience during the last war in obtaining grain at reasonable prices for the retailers in Karachi. He said that the system adopted was to purchase grains at leading wholesale markets in the Punjab, transport them and then sell them at cost price to the retailers with a stipulation that they would charge fair prices to the public. The system worked fairly satisfactorily and did not involve any considerable financial risk to Government. Government had to find funds for goods only during the period of their transport.

Mr. Ahmed Mohiuddin (Hyderabad) explained that they had certified shops as shops charging fair prices and publicity given to that fact created public opinion in favour of such shops whose custom was correspondingly increased.

Sir Manubhai Mehta (Gwalior) referred to his opening speech in which he had explained about Government subsidized shops in his State.

The Hon'ble Mr. Suhrawardy (Bengal) said that no great advantage would accrue from such grain shops and the system they followed was for Government inspectors to go round to various grain shops in the mill area, ascertain prices and announce them to others. The result was that a stabilizing influence on the retail prices was introduced. But he agreed that if an emergency arose the Karachi system described by Mr. Dow was worth trying.

Mr. Hood (Madras) said that no occasion had yet risen in Madras but in 1920 when the price of rice had risen they had imported rice from Rangoon and distributed it among the retailers with considerable success.

Dr. Gregory remarked that the problem would have to be considered from two aspects, and that the discussion had so far proceeded on the assumption that the effect of opening grain shops on the level of prices was the only aspect to be discussed. The two aspects were :

(1) Grain shops as a method to check retail profiteering, and

(2) cheap grain shops as a method of meeting changes in cost of living.

It was clear that with a few shops judiciously distributed, as it was reported was the case in Bombay, retail profiteering would be checked to a certain extent. He was prepared to admit that in this direction cheap grain shops did serve a useful though limited purpose. But it would be well to recognize that if they were opened to meet changes in the cost of living, that was to say, to subsidize a given standard of

living, Government were running enormous financial risk and would incur losses to be met out of public funds. He was, however, bound to point out that from an abstract economic point of view it was possibly correct to meet an emergency situation by opening cheap grain shops rather than by increasing money wages. This was a well-known method to meet a temporary rise in prices, but it should be left to employers' associations if this expedient were to be tried on a large scale.

Mr. Collins (Sind) urged that for small Governments like his own it would be embarrassing to record any recommendation on this question of cheap grain shops as there would at once be a demand for opening such shops.

The President said that he had himself thought of the problem in its possible effect on the level of prices, as for example, in breaking down any ring in maintaining high prices. But he would say that it was not intended to ask the Conference to make any specific recommendation. They might say, however, that the experience of different Provinces had been placed at the disposal of the delegates and Provinces would do what they thought necessary or suitable. The point that grain shops could be utilized as a method to meet problems arising out of rising cost of living was not, he would add, considered by Government and he would share the hope of Dr. Gregory that such a situation would not arise.

ITEM 3 (*b*).—*Speculation in wholesale markets in relation to the level of prices.*

The President asked Sir Gilbert Wiles to initiate the discussion. The question was whether speculation affected prices, and if so, how far. The next problem to be discussed then was : to what extent and by what methods these effects should, or could be, checked. He would be glad of suggestions.

Sir Gilbert Wiles (Bombay) said that it was not possible to deny that speculation had some effect on prices but it was an erroneous impression that speculation by itself was bad. It must be admitted that within limits it had very salutary effect. Bombay had special experience in regard to cotton and over a period of years legitimate operations in 'futures' served to help both the cultivator and the merchant. It must be admitted at the same time that speculation tended, particularly during times of panic, to aggravate the situation and the problem of limiting it to what was usually suggested, *i.e.*, legitimate channels, was a very difficult one. Whatever method of regulation was proposed he would utter a word of warning against inexpert administrators' zeal and interference, for that would be risky and on balance harmful to all concerned. The late Ministry had a Bill in Bombay to license regular Associations, which alone should deal with speculative markets. It had been mentioned that the licensing of dealers would probably be an effective method but he was bound to point out that it would be impossible to work that system in practice. It occurred to him that the only method worth trying was the one of legalizing dealing through well recognized and registered associations only. Experience gained in establishing the East India Cotton Association after the last war might be useful.

Mr. Nethersole (United Provinces) admitted that he had no expert knowledge of speculation but he had no hesitation in asking that efforts should be made to check violent and reckless speculation which tended to drive up prices. He would say that during the recent sudden upheaval in prices in the Hapur market the Collector of Meerut met the Chamber of Commerce who voluntarily agreed to limit operations in speculative markets from 10 a. m. to 4 p. m. ; cut down altogether operations in options and fixed the upper limit of Rs. 4 for any future transactions. The immediate effect of such action through negotiation was that prices fell at once and they had not risen since ; nor indeed had they reached the upper level of Rs. 4. This proved that something could be done to check reckless speculation and if that was so, something, in his opinion, ought to be done.

Mr. Williams (Bihar) was of the same opinion as the representative of the United Provinces and said that while no interference would be warranted with legitimate speculation, the abuses in futures market which admittedly existed should be checked. His Government thought that powers to enforce disclosure of stocks coupled with a system of licensing wholesale dealers would probably act as an effective check against reckless speculation.

Mr. Sirkar (Bihar) supplemented Mr. Williams's remarks by quoting statistics and said that the main object of the Bihar Government was to introduce a steadying influence on the course of prices. He read out statistics to show that the holding power of the agriculturists was very little. The agriculturist had not received anything like fair prices for a very long time. He thought that limiting speculation to known parties would be a good method to check reckless speculation.

The Hon'ble Sir Chhotu Ram (Punjab) said that the evil, if at all it was an evil, of speculation did not exist in any degree in the Punjab but he would admit that one very desirable tendency of speculation was to keep prices even over a long period.

The Hon'ble Mr. Suhrawardy (Bengal) took this opportunity to describe what the Bengal Government thought of the jute situation and said that the recent rise in the price of jute was mainly due to economic causes of short production and the unexpected, huge war demand of His Majesty's Government. He was quite clear in his mind that the 'Fatka' market served a very good purpose in stabilising the prices of jute produce but he would readily admit that abuses must be checked. The merchants themselves had recently introduced certain restrictions and the Bengal Government were themselves anxious to put the 'Fatka' on a proper basis. He had looked round for disinterested experts to advise the Bengal Government on this question but his efforts had proved so far fruitless. He would ask the Government of India to render them such help as they could in this direction. He thought Sir Gilbert Wiles had suggested that control, if at all, of speculative markets should be undertaken by the Provincial Government. He agreed and had himself no hesitation in saying that if there was to be any control over speculation, it should be by the Provincial Government, especially for jute, as the jute problem was not comparable to any other problem in any other Province and that it was one peculiar to Bengal.

Dr. Gregory said he would refer in the first place to one or two specific points raised by the previous speakers. Mr. Williams asked for powers to get information about stocks in traders' hands and seemed to think that such information would steady prices. Dr. Gregory was extremely sceptical about this for two reasons. Firstly, published figures of visible stocks were extremely unreliable and it was still more to obtain information about invisible stocks. The Government of India tried in vain at the end of last war to get figures about stocks of wheat. Secondly, nobody knew the state of demand. It was very uncertain. Again supply depended on weather conditions, etc., in cases of important commodities like wheat and speculation exploited such uncertainties. Turning to the main problem : public opinion in India today held that the recent rise in prices was largely due to speculation. That impression, in the main, was incorrect. As the Hon'ble the Minister from Bengal pointed out, the position was largely due to shortage, and to sudden demands. In jute, for example, whether there was an organised futures market or not, the price of jute was bound to go up on the outbreak of war. But it did not follow that the existence of futures markets had not an influence on the general price level. It had an undoubted influence through encouraging supplies to be withheld. In another respect, also he thought, the 'futures' price influenced not only the general trend but the actual spot price of the actual commodity. If cultivators saw or heard that the price of 'futures' was going up, they would naturally be inclined to think that the price of cotton was likely to go up too. Thus, it would influence the future price of various crops, through influencing supply. Under those circumstances, he thought it absurd to maintain that the upward tendencies of the speculative markets did not have any influence on the prevailing prices. The public had, however, exaggerated the implication of that. Thus, a fall in the future market encouraged the people to bring existing supplies to market and discouraged the future production of the article. Therefore, the public was incorrect in thinking that speculation always forced prices up. Now the problem was what was to be done.

He must confess that if by some alternative system of regulation they could keep spot prices fixed for the next four or five years, then he would view the disappearance of the futures markets in India without the least qualms. There was no need, for instance, for a futures market at the present time so far as wool was concerned. The British Government had arranged with the Australian Government to buy the entire wool clip for the duration of the war at fixed prices. Under those circumstances, everybody knew what the future price of wool was going to be, and therefore there was absolutely no need for a futures market. If they could stabilize in other ways the prices of all the main articles in India, then futures markets would be unnecessary. But they could not do that. Therefore, they came back again to the same question—could we regulate, the "futures" markets? Everybody here had stressed the fact that they had no objection to "legitimate" operations but they did not like to see other people going into the market and making a bit of money. That was what it came to. He had talked this matter over with very experienced, businessmen in the futures markets of the United States of America and elsewhere and

they always pointed to one difficult practical point. They maintained that though it might be legally possible to draw a distinction between the legitimate and the illegitimate speculator; yet the amount of business passing would be so small if the "legitimate" dealer alone traded that the steadiness of the market might be very seriously affected. He thought there was a great deal in it. It was not quite so simple as it looked at first sight. He was very glad to hear the Minister from Bengal refer to the technical difficulties, and he thought it would be the height of folly on their part to smash into an extremely complicated matter of this kind without very much more careful thought and technical knowledge. He would, therefore, suggest that they did nothing at the moment but that they should ask the Government of Bengal to go ahead with their inquiries, and report results at the next meeting of the Conference.

Sir Gilbert Wiles (Bombay) rose to make a personal explanation in regard to what the Minister from Bengal had stated as his opinion. The question of the proper authority to control 'futures' was not put to him in a direct form. If the problem arose, it could be considered that for cotton, for example, Bombay was in a favourable position, as Bengal was for jute, to work any machinery which after very careful investigation might have to be set up.

The Hon'ble Mr. Suhrawardy (Bengal) said that as far as he understood the problem, it was one of wider interest and that he did not understand why Bengal alone should continue its enquiry unaided.

The President observed: the Conference would have realized that this question of speculative markets was a most complex one and no ready made solution could be found either to close down such markets or even to regulate and control them within limits. He realized the anxiety of some of the Provinces where some of these futures markets were operating to have those operations within their own control. He might say at once that the Government of India were acutely aware of the fact of these speculative markets working in the direction of raising prices, as had been pointed out by Dr. Gregory but the Government had not come to any definite conclusion on the subject at all and he wanted to say this in that connection: some of the delegates might have read a recent communiqué of the Central Government on the subject. He understood that some tentative scheme to control speculative markets was circulated by certain Provincial Marketing Officers in order to elicit commercial opinion, and he believed that was what was referred to when it was said there was consternation. At the last Marketing Officers' Conference held in Delhi there were some proposals put forward with regard to this matter and the Agricultural Marketing Expert with the Government of India drew up a scheme and on his own responsibility circulated it to his Provincial Marketing Officers, the word "Confidential" being specially marked and underlined on it, and asked them to obtain opinion confidentially from associations interested in the matter: there were so many stages of "confidentiality" that there was nothing confidential, in effect, about it at all and it got into the markets. The Government of India had issued a Press communiqué: what had been said in the Press Communiqué was that the Government of India had not considered the subject: the Economic Resources

Board had not considered it, and there was no authority of any kind whatsoever for any of the proposals put forward in that connection. He could, therefore, assure everyone that the Government of India, being acutely aware of the difficulties, would not venture to come forward with any scheme, much less legislation, on the subject without the fullest consultation not only with the Provincial Governments but with the associations directly concerned in the matter. The realisation of their own lack of knowledge and experience in this matter had convinced them that the time had come when they should have more accurate information of the working of these future markets from day to day and from week to week. The Government of India had therefore decided to appoint two officers as Price Advisory Officers, one with headquarters at Calcutta, and the other with headquarters in Bombay, in order to study and report regularly upon the jute and cotton markets. Their primary duty would be to study the operations of the markets in respect of these commodities, and in particular the futures markets, to investigate on the spot the movements of prices in these markets and to keep the Government of India constantly in touch with the activities of such markets. When the Government of India had gained sufficient knowledge through these Price Advisory Officers, then, if they felt that the stage had come when more direct intervention on the part of the Central Government was needed, any action that they might propose to take would only be taken after the fullest consultation with the Provincial Governments and after having considered their opinions on the subject. He thought, therefore, that they might leave the matter at that stage for the present. He did not see how the Conference could come to any decision on the subject now.

ITEM 3 (*d*).—*Wheat.*

The Hon'ble Sir Chhotu Ram (Punjab) spoke in order to supplement the statement he had made about wheat in his opening remarks : and quoted statistics from 1913-14 up to the present time in order to show that the rise in the price of wheat was not appreciable and remarked that for a considerable period of years the wheat cultivators had sold their produce at a price less than the cost of production. There was no case at all, he urged, to control the price of wheat. He referred incidentally to a query made by the Hon'ble Minister from Bengal as to why there was a recent rise in the price of wheat. He considered that it was entirely due to economic factors, such as inadequate rainfall and the natural expectations raised on account of war. He proceeded to refer to the public agitation in the Press about the price of wheat and deplored that no interest was taken in the subject when the price of wheat remained at a very low level for a considerable period of years. He added that the cultivator was not as vocal as some of the wage earning classes and that the equities of the problem could not be judged from the extent of public agitation in the Press. He then quoted extracts from the representations of the Federation of Indian Chambers of Commerce and Industry and said that in their opinion also there was no case for checking the rise in prices. He then referred to the reported recommendation of the Economic Resources Board about modifying or abolishing the existing import duty on wheat. He would urge very strongly on behalf of his Government, as

indeed on behalf of the entire agriculturists in the Punjab, that the Punjab felt very keenly that no step should be taken to touch the duty in any respect and that both on economic and political grounds there were very strong reasons why the import duty should be left as it was.

The President said that he could only say this, that he personally heard with sympathy the very strong and forceful speech of the Minister from Punjab regarding wheat, and the price that ought to prevail for that commodity. The whole trend of his speech was to get an unequivocal declaration from the Government of India that the present import duty would be continued after the 31st March, when it would cease to exist. Frankly, he was quite unable to say what the position was going to be so far as the Government of India was concerned. All that he could say with confidence was that the arguments and the special considerations adumbrated at the close of the Hon'ble Minister's speech would be reported by him to the Government of India and he must leave it at that. As regards the possibility of speculation owing to the fact that the duty might be removed, he would like to point out that it was a protective duty and just because it was a protective duty, even if the measure of protection was re-enacted, it would be open to the Government of India without reference to any legislature by mere executive notification to lower or raise it or even to remove it altogether, under section 4 of the Indian Tariff Act. He did not know whether that would be of any help to the speculators but that was the legal position. It was quite impossible for him at this stage to anticipate the decision of the Government of India on this subject but he would convey the views expressed on behalf of the Government of the Punjab to the Government of India who would doubtless consider them very carefully.

ITEM 3 (*c*).—*Dyes.*

Mr. Hood (Madras) explained that the shortage of dyes was very keenly felt in Madras by the handloom weavers, and that he had already made some suggestions to the Government of India about the method of distribution. They thought that the entire distribution should be through the Government organization which proposed to establish a system of ration cards to ensure that the individual cousumer got the dyes for his actual use and did not pass them on for any speculative purpose.

Mr. G. P. Pillai (Travancore) said that the needs of the Travancore State for their coir industry should also be borne in mind in this connection.

The Hon'ble Mr. Suhrawardy (Bengal) said that this problem raised a very important question of general importance, namely, the need for the Government of India to have a Special Committee if necessary, to encourage the production of dyes and heavy chemicals in India itself. He added that these commodities were very essential for the life of many industries and it was time that the Government of India paid some active attention to the needs of these industries. He pleaded that no Provincial Government was in a position to take adequate action by itself to remedy the shortage in respect of dyes and chemicals.

Mr. Ahmed Mohiuddin (Hyderabad) also pleaded that the Government of India should make arrangements for an adequate supply of dyes.

Dr. Panna Lall (United Provinces) suggested that the existing method of distributing dyes from the stocks kept by Chemdyes did not work satisfactorily in their Province and suggested to the President that the results of enquiry he had promised might be made available to them soon.

The President said that this question had been exhaustively considered at the Mysore Industries Conference in December. He regretted to say that the optimism which he then felt had not been fully justified and they could not say how far future supplies would be ensured. They were actively considering the subject ; so far as the existing stocks in the possesion of Chemdyes were concerned, they hoped to come to a decision very soon and the distribution of their stocks would be carefully considered in the light of suggestions made. The question of dyes was an extremely complex one. The question of disribution to retail dealers was notoriously difficult as the supplies were bound to be short and inadequate. The fixing of prices was also an acutely difficult question when there was so much demand and competition between buyers. As regards what Dr. Panna Lall had said, letters had issued from the Commerce Department to Provincial Governments inviting their suggestions regarding the method of distribution of available stocks to handloom weavers ; but no specific suggestions had so far been received from Governments, except from the Government of Madras.

Mr. Hood (Madras) thanked the President on behalf of himself and the delegates, for the courtesy shown and the lucid manner in which he explained to them the problems discussed.

The President thanked them and said that what they had been able to achieve in this Conference had been due to the co-operation and goodwill shown by all the delegates. He was sure that all of them had realized that they were there to co-operate with each other and that the Government of India had no other objective but to help the Provincial Governments in a very difficult task. They ought not to rest content with the present position but take a long view of things and realize that in the coming months the Provincial Governments would have even a more difficult task than they had now. They were trying to understand one another's position, to educate themselves and perhaps to give them some information from the resources available to the Government of India.

T. S. PILLAY,

Secretary, Economic Resources Board.

Dated the 2nd February 1940.

L202CD—300—27-2-40—GIPS

W 52-40-11

The reply to this communication should be addressed to the Secretary to the Resident in Mysore, Bangalore, by designation and not by name.

URGENT.

No. F.193-39(5)/W.

C 5314

OFFICE OF FROM
MAY 14 1940
No. 10659
To

THE SECRETARY TO THE HON'BLE THE RESIDENT IN MYSORE.

The Chief Secretary to the Government of
His Highness the Maharaja of Mysore, Bangalore.

CHIEF SECRETARY. 11. MAY 1940 GOVT. OF MYSORE.

Dated Bangalore, the 11th May *1940*.

Next prices conference.

SIR,

I am directed to say that the Government of India would be glad to be informed whether the Government of Mysore agree with them that there have been no developments since the last (Second) Price Control Conference to warrant the convening of another Conference at an early date. I request you kindly to send a very early reply.

Perhaps a reply may be sent in the affirmative Subd for perusal with a draft reply for approval or other orders

RS 18/5

CHIEF SECRETARY. 13. MAY 1940 GOVT OF MYSORE.

13/5/40

1st draft). Nil. 13/5/40

Issued P.S.I. 1500 & 14th May 40 to the Resident.

I have the honour to be
Sir,
Your most obedient servant,

for SECRETARY TO THE RESIDENT.

KK.

Rd 1500 d 14.5.1940

55

The Secy to the Hon'ble the Resident.

Next prices conference

Sir,

With reference to your letter no F. 193-39(5) W & 11th inst 40 on the above subject. I am directed to state that the Govt of Mysore agree with the Govt of India that there have been no developments since the Second Price Control Conference to warrant the convening of another Conference at an early date.

I have etc

Asst Secy to Govt

Chief Secy to Govt

W 52-40-12

Rd 1500

14th May 1940

The Secretary to the Hon'ble the Resident in Mysore,
Bangalore.

Next Prices Conference.

With reference to your letter No. F. 193-39(5)/W dated 11th May 1940 on the above subject, I am directed to state that the Government of Mysore agree with the Government of India that there have been no developments since the Second Price Control Conference to warrant the convening of another conference at an early date.

I have the honour to be,
Sir,
Your most obedient servant,

14/5

For Chief Secretary to Government.

W 52-40-13

59

Pol. 2166

The reply to this communication should be addressed to the Secretary to the Resident in Mysore, Bangalore, by designation and not by name.

OFFICE OF THE FIRST MEMBER OF COUNCIL
JUN 24 1940
No. 12215

No. F.35-40/W.

FROM

THE SECRETARY TO THE HON'BLE THE RESIDENT IN MYSORE.

To

The Chief Secretary to the Government of
His Highness the Maharaja of Mysore, Bangalore.

CHIEF SECRETARY 21 JUN 1940 GOVT. OF MYSORE

Dated Bangalore, the 21st June *194*0.

Next Prices Conference.

SIR,

Key 'P' I am directed to refer to your letter No.Pol.1500/C.B., dated the 14th May 1940, and to say that accepting the view expressed generally by Provincial Governments and Indian States, the Government of India have decided not to convene a conference on prices for the present.

Subd for perusal.
RS 21/6

21/6

21 JUN 1940 GOVT. OF MYSORE

(1st member)

23/6/40

I have the honour to be,
Sir,
Your most obedient servant,

for SECRETARY TO THE RESIDENT.

KK

61

Submitted

60

Law Sec for favour of kind

Secretary 30/1/40

PSD 30/1

Member 30/1

OFFICE OF THE BOARD OF COUNCIL
JAN 30 1940

31/1/40

30/1

Rajan, M.A.,Ph.D.
Director,
Information Bureau.
Shah Road,
Delhi.

JANUARY,1940.

PRICE CONTROL IN INDIA.

Why prices rise. One of the inevitable consequences of any war is a general rise in the price-level. The rise in prices is more marked or at any rate felt more if there has been a severe depression before the commencement of a war. In India the higher price-level has brought in its wake its allied consequences of a severe agitation and the attempts at the formulation of a Government policy to deal with the rising prices. The present high level of prices is on account of variety of causes, mostly legitimate. Among other causes, the severe depression through which the World was passing and was trying to emerge and out of which India had not emerged in the same pro proportion as other countries, makes the present price-price-level in India look exorbitant. The tug of war between the consumers, especially the well-to-do to put in as good a store as possible and the natural inclination on the part of the traders to withold selling as long as possible, here as elsewhere, has resulted in rising prices in the initial stages. So far as our agricultural products are concerned, the increased demand from other countries, coupled over and above with our own governmental demand have raised their prices. Both the industrial and armament demands have raised the prices of commercial crops like cotton, jute, etc. The prices of imports have been forced up because of the higher freightage, insurance charges and the risk of irregular supplies. Then there is the great inflation of the currency in every war and in every country to be considered. Within four months of the declaration of the War, the circulation of the Indian currency-notes and rupees has gone up by about 66 crores. Any inflation of currency is bound generally to raise prices.

Speculation and rise in prices.

To the public at large it is speculators that are almost solely, if not the only people, responsible for the present rise in prices. While the speculators do, no doubt, play a certain part in raising prices in times of crisis, their role should not be given undue importance. The changes in price-level are not solely or even very largely due to them." As Dr. Gregory in his broadcast speech on the 12th January, 1940, put it, "Whatever part speculation may have played since the outbreak of the war it cannot be completely responsible for the particular phenomenon with which we are now dealing with namely, the change in the price-level. The speculative spirit was just as active in the pre-war, as in the post-war period, and cannot be the unique explanation of what has been happening since the war broke out. I would prefer to say that speculation has exploited the new factors which came with the war and has, in all probability intensified but not originated, the effect upon the price-structure of the really significant factors at work."

The ethical part of the controversy.

Before proceeding further, we may briefly dismiss the ethical part of the controversy. The traders raise prices or withhold the stock and thereby raise prices, because they think that in future, their supplies would have to be obtained at a higher cost. The consumers, on the other hand, try to get their requirements of goods as possible so that they may be free from the anxiety of paying higher prices at least for sometime. A very considerable proportion of the lower middle class and middle class people in every country does the same at such critical times. As a result of this scramble on the part of the consumers and hesitancy on the part of the traders the prices soares up. It does not very much lie in the mouth of the consumers to point a finger of scorn at the traders. If it is

selfish-on the part of the traders to sell goods at a higher price than the circumtances permit, it is equally selfish on the part of the cansumers to try to obtain them at a lower price than the circumtances would permit. As Dr. Gregory put is, " If it is selfish to attempt to hold up supplies, it is equally selfish to attempt to lay in stocks. If it is selfish to attempt to charge high prices, it is equally selfish to attempt to obtain lower ones. It is therefore highly important that the whole question of what it is right to charge for a given commodity should be discussed without moral preoccuptation."

Steps taken by the Government.

The Government of India faced with the incessant agitation on the part of certain section of the vocal public and probably because it suits them better, unlike their usual leisurely way of taking things, have been rather quick in their attempts to deal with the problem. Soon after the war was declared, the Central Government delegated powers to the Provincial Governments to take appropriate action in regard to the controlling of prices of such articles as foodstuffs, the coarser varieties of cotton cloth etc. While some Provincial Governments have taken little action others have delegated powers primarily to District Officers. A Price Conference was also called in October last and another is being called now. The Economic Adviser to the Government of India has also submitted an explanatory Memorandum upon the price control to be pursued by the Government of India. A Price Controller was appointed shortly after the war by the Bombay Government to lay down maximum prices to be charged by retailers for certain commodities. The Government of India, while approving in general of the conclusions drawn in the Memorandum prepared by Dr Gregory, have issued a recent press-note, which must be taken

to mean that they propose to pursue a fairly stringent price control policy.

Profiteering or profit-earning?

When dealing with the problem of rise in prices, one should try to not only leave off the so-called moral point of view but should also rid oneself of certain false notions. A section of the articulate public has dubbed the rise in prices as nothing short of profiteering. Deliberate profiteering by businessmen and speculators who attempt to corner good is one thing and legitimate profit-earning is another. Dr. Gregory himself made this distinction when he cautioned the public to be careful in his speech delivered at the Indian Economic Conference at Allahabad early during the current month. Profiteering as such means the selling of the commodities to consumers by middlemen at a price which has no relationship whatsoever to the replacement cost of such commodities. In replacement cost, allowance is made for the increase in prices of raw materials. Everyone is entitled to agitate and vigorously denounce this kind of profit-making and the Government would be perfectly justified in their attempts to check it. But "profiteering" as it is being used in the press and platform of the country has come to mean any and every increase that has occured in the prices of commodities over the prices prevailing before the outbreak of the War. This attitude is unjustifiable as it takes no note of the changes in demand and supply that have now risen. This denouncing of legitimate profit-earning is nothing but an inexcusable way of demanding that the Government, in the name of the consumers, should with all the powers at their disposal prevent any increase in prices of staple commodities. This demand denies to the

TABLE NO. I.

*INDEX NUMBER OF WHOLESALE PRICES.

(Base 1929 = 100)

	1929	1930	1931	1932	1933	1934	1935	1936	1937	1938.
India.	100	82	68	65	62	65	65	65	72	68
Canada.	100	91	75	70	70	73	75	78	88	82
Australia	100	89	79	73	78	82	82	86	92	92
United Kingdom	100	88	77	75	75	77	78	83	95	89
United States of America.	100	91	77	68	69	79	84	86	91	83
Argentine	100	96	92	91	89	102	101	105	117	109.

(* League of Nations statistical Year Book 1938-1939)

TABLE II.

*INDEX NUMBERS OF WHOLESALE PRICES IN CALCUTTA.

(Prices in July, 1914 = 100

PERIOD.	Cereals.	Pulses.	Oil, mustard.	Jute, raw.	Cotton, raw.	Hides & skins.	Other raw & manufactured articles.	All commodities.
1914, End of July.	100	100	100	100	100	100	100	100
1930, Annual Average.	100	119	97	63	91	87	120	116
1931, " "	78	89	68	49	83	67	101	96
1932. " "	68	92	61	45	92	50	95	91
1933 " "	66	84	52	41	80	59	95	87
1934 " "	69	84	63	59	73	51	95	89
1935. " "	75	85	73	50	76	59	84	91
1936 " "	79	77	69	50	89	70	83	91
1937. " "	77	89	75	56	89	81	92	102
1938. " "	72	88	77	49	67	64	91	95
1939. " "	86	99	81	80	75	67	95	105

(* The Indian Trade Journal Dated 11th January, 1940.)

The index of wholesale prices in this country (taking 1929 as bases) went as low as 62 in 1933 and even in 1938, after the recovery is said to be set in, reached only upto 68. A comparison with other countries shows the poor progress made in India. From table II, we find the index number of cereals (taking 1914 as bases) which stood at 100 in the year 1930 went as low as 66 in 1933 and recovered only upto 86 even in 1939. For nearly 8 years the producers of cereals had suffered a reduction amounting to from a fourth to a third of their income. The same is true more or less of ther primary producers also. In the case of producers of certain other primary products such as mustard oil, copra, raw jute, hide and skins, the position was even worse till the very end of 1939. The primary producers in certain cases lostes much as 50% of their pre-Depression income. The recovery which is said to have set in 1935-37, did much less for agriculturists than for the industrialists. All this is borne out by statistics. While for nearly a decade the agriculturists have been simply allowed to lose from a fourth to a third of their pre-Depression income, as soon as their produce have risen up by 1/3rd, a hue and cry is set and the Government also seriously attempt to devise ways and means to deprive the agriculturists of whatever benefit they are likely to obtain.

Price control is made out by interested parties to be in the interests of all sections of the public. Those people who are against rise in prices have trotted out that it is to the interests of the agriculturists themselves to have prices controlled. It has been and would be shown further that it is not in the interests of the agriculturists to have any price control of their produce. It is

only the salaried class and those who get a fixed income that lo[illegible] by rise in prices. While sympathising with the difficulties of the salaried class whose expenses have risen, it may be pointed out that they have not much cause to complain as they have been benefiting almost ever since the end of the last war and particularly since the Depression began to stalk the world. During all these years prices of commodities, especially agricultural products, slumped to a great extent while the income of the salaried class either did not show any change or if at all only little for the worse. As they have been reaping quite a good deal of benefit for nearly a decade and as they form only a small part of the total population of the country, they have no reason to claim any special solicitude from the hands of the Government.

The Government of the land which has been quite apathetic to the sorrows and the miseries of the agriculturists for about a decade have no justification now to be hasty or eager to control prices of agricultural products. They had done nothing to the agriculturists, all the intervening years from 1929, to mitigate their sufferings consequent to the fall of prices. They are not now justified in prohibiting rise in prices on the ostensible plea of preventing "profiteering." It is quite likely that some middlemen here and there may corner out in commodities and inflate prices. In that case it is quite true that the consumers would be paying higher prices without benefiting the growers. But the remedy is certainly not difficult to find. Instead of putting a ban on all rise in prices, Government would have to provide measures to pass on the benefit of such rise in prices to the producers.

It is entirely in the interests of ~~the~~ agriculturists to allow the prices to rise.

There can be no doubt that ~~the~~ agriculturists benefit by rise in prices of their produce, whether internal or export prices. It may be that first rise in prices does not enable the cultivator to sell his produce advantageously as he may have little or no unsold stocks in his hands. The fact that such increases have occured is, however, bound to stimulate his production. He would be having a larger out-put as well as higher prices per unit of his production. Even if the agriculturist's production does not increase, his cash income is bound to go up as a consequence of rise in prices. The first rise in prices which occur by declaration of war has also an immediate effect on the 'Forward Contract' prices. As the forward contract prices are raised, the credit of the cultivator rises and the burden of his indebtedness is also lowered.

It is sometimes argued that while the landed agriculturist might benefit by increase in prices, millions of poor agricultural workers would be put to great sufferings. Prof. N.G. Ranga, writing in the "Rural India" (December, 1939) deals with this question in the following words:

> "Most of our agricultural workers are paid more than 3/4 of their wages in kind and that according to some standards that vary to some extent at distant intervals. To that extent, a rise in the price of grain helps them and can in no way harm them, since what they have to purchase from out of the ken of their agrarian production will be available in greater quantities in exchange for the same produce. As for those workers who are paid in cash, it must be remembered that such cash wages almost always vary in proportion

> to the rise or fall in the prices of staple produce. It is therefore in very rare cases and in remote places that there is any chance of such workers being adversely affected. Moreover the prosperity or adversity of such workers is intimately bound up with that of Kisans who it is that provide them with 95% demand for their labour and when prices or agricultural produce go up, Kisans demand their services to a much greater extent for ploughing, manuring and improving their lands, building operations, digging of wells, tanks etc. Therefore any one who is really acquainted with rural life will have no hesitation to welcome a rise in agricultural prices as much in the interests of agricultural workers as in that of kisans."

The Government should help the export trade of agricultural produce.

In order to enable the Indian cultivators to receive the full benefit of the great increase in demand for their products, the Government of the country should atleast now come to their help and promote the Indian export trade. Instead of imposing obstacles in the way of our export trade, they should, with full cooperation of the Provincial Authorities, help the expansion of the overseas market of the Indian primary produce and enrich the cultivator. While not a single section of the country desires that any Indian export should reach the enemy countries, the Government, in the interests of the teeming millions of primary producers should so provide and administer the provisions regarding India's export to neutral countries in a manner as not only maintaining intact the normal trade relations but also to expand them. Prof. Ranga suggests that Great Britain should purchase all our cotton as she has done in the case of Egyptian cotton and then consume as much as possible in Lanchashire and export the balance to France and to the other reliable neutral countries. He also urges that it is the duty of the Government to obtain for Indian cultivators higher prices for

their produce than that which prevails in India and that in any of our export prices should be adjusted in a line with the World Parity Prices.

Is the price control justifiable in the interests of the other sections of the public at any time?

The conclusions drawn by the Economic Adviser to the Government of India in his Memorandum upon the price control policy are in general of such a nature as to meet with the approval of all right thinking economists and politicians. The third conclusion which he draws in the Memorandum is in regard to the export of the produce and therein he mentions that it is not in general desirable to interpose obstacles to a rise in prices subject, however, to the two general qualifications which may develop out of the War situation. One of the qualifications is that if prices of foodstuffs rise to a high level, to the deterioration in the position of those sections of the population who buy agricultural produce and have no direct interest in its sale, then Government intervention is justified in holding up the rise of prices. Although this qualifying clause is very sound in theory, both he and the Government of India (as the press-note few days back suggests) ignore the claims of the vast mass of the agriculturists who constitute no less than three fourths of the total population of the country. As has already been stated, if the Government thought fit to pursue a policy of laissez-faire for decades when the agriculturists needed help badly, it does not seem equitable, just or proper that they should now come and tell the agriculturists thus far and no further.

Does the necessities of the State warrant that agriculturists be sacrificed?

The second qualification which the Economic Adviser lays down is that if the need so arise, even interests of the cultivators must give way to the paramount interests of the State in the

successful prosecution of the War. No one disputes that the successful prosecution of War is of paramount interest to all sections of the country. But what one fails to understand is why that any successful prosecution of the War should be at loggerheads with the legitimate profit earnings of ~~the~~ Indian cultivators. There is no justification whatsoever on the part of the Government to ask or expect at any time of the Indian cultivator to meekly accept the prices determined by the Controlling Authority. There should be no confusion of issues as is unfortunately manifested in that paragraph of the Memorandum of the Economic Adviser. Let this be understood. The Indian economists and politicians only demand that Indian cultivators should receive from the Controlling Authority at all times the prices which will not be unduly low in the light of the prevailing conditions of demand and supply.

The fourth conclusion which the Economic Adviser draws is that even though prices in general may be allowed to rise, once the condition of full employment resources is reached, further increase in prices would amount to an inflation resulting in a vicious spiral of ascending costs and prices which is bound to be resented by all consumers. While all this is strictly true, these considerations are applicable largely to countries which are almost if not fully industrialised and only very relatively to a country like India which is mainly agricultural.

Is it possible to control prices easily?

Finally it may be urged that the economic forces of supply and demand, especially in a big country like India, cannot be easily controlled, if at all they can be controlled. Control of prices in such a vast country would not be an easy task

It is to be hoped that the Economic Adviser would remember his own words and that the Government of India also would weigh very carefully the opinion of their own Economic Adviser. He stated in his broadcast speech on the 12th January, 1940.

> ".....It should be made clear that price-control is an enormously difficult technical job, calling for a combination of high economic wisdom and profound administrative skill. Again, speaking as an economic expert, I would like to warn my hearers against the idea that the control of prices, or for that matter of speculation, is an easy thing. No such thing: all experience warns against superficial judgments of that sort."

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